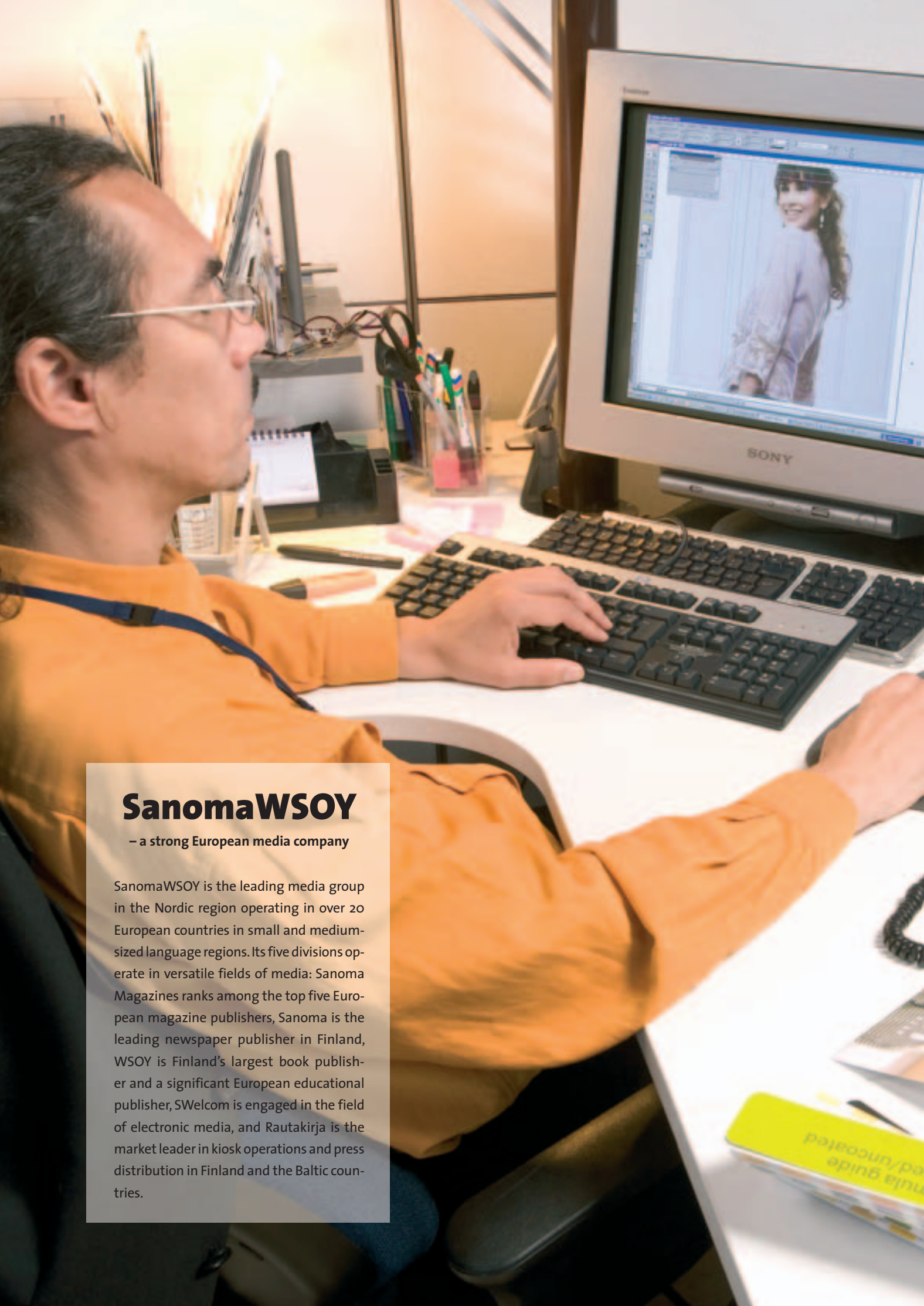


2005



Sanoma WSOY



SanomaWSOY

– a strong European media company

SanomaWSOY is the leading media group in the Nordic region operating in over 20 European countries in small and medium-sized language regions. Its five divisions operate in versatile fields of media: Sanoma Magazines ranks among the top five European magazine publishers, Sanoma is the leading newspaper publisher in Finland, WSOY is Finland's largest book publisher and a significant European educational publisher, SWelcom is engaged in the field of electronic media, and Rautakirja is the market leader in kiosk operations and press distribution in Finland and the Baltic countries.





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The media company of opportunities and operational excellence

Mission

SanomaWSOY's mission is to be the market leader in satisfying people's need for information and education and for an easier and happier life.

Information and education form a solid base both for our customers and ourselves as we strive to create an even better future. In addition to fulfilling our customers' needs for information and education, our goal is to offer products and services that make our customers' lives easier and happier. Reaching ambitious goals is never easy. We aim to do everything better than our competitors. We believe we can reach our goals best by offering high quality products and services; without compromising our profitability.

Vision

SanomaWSOY's vision is to be the media company of opportunities and operational excellence.

As an international multimedia company we are extremely well positioned to identify growth areas and exploit them. We aim to systematically strengthen the ability of our skilful personnel to act upon these opportunities and to create new, successful businesses. We base the development of our businesses on anticipating our customers' needs and fulfilling them in a timely manner.

Values

- Creativity
- Reliability
- Dynamism

Creative work is the essence of communications. Creativity and reliability form the basis of all our actions. In addition to a solid base, our success so far has entailed dynamic actions and people who are able to make things happen, creative, reliable, and dynamic people. The continuous development of our personnel is one of our key competitive edges.

Strategic objectives

Sustained growth and profitability form SanomaWSOY's key strategic objectives. In order to achieve these objectives, the Group has set sub-objectives for growth, market leadership, strong cash flow, and way of doing supplemented with internal goals of each business.

Growth

- Development of profitable products and services that can be successfully internationalised and expanded to be cross-media
- Geographic expansion of magazines, educational publishing, and press distribution in a value creating manner, including benefiting from synergies in the expansion of the portfolio

Market leadership

- Value-adding market leadership in our chosen businesses and markets
- One of the leading European magazine and educational publishers

Cash flow

- Improved profitability of our present businesses
- Divestment of non-core assets and businesses

Ways of doing

- Customer driven product and service development
- Fast and flexible processes
- Group-wide cooperation to ensure full use of the Group's scale and scope
- Boosting growth and profitability by value-adding partnering and M&A, and integrating new organisations successfully

Strategic financial targets

SanomaWSOY's target is to increase net sales at the rate faster than that of GDP in the main operating countries. The Group's strategic operating profit target is 12%.

It also has the target of recording net debt/EBITDA of less than 3.5, equity ratio of 30–50%, and gearing of less than 100%.

The basic level of annual capital expenditure, excluding major acquisitions, amounts to less than EUR 100 million.

These targets are based on the assumption that the development of the operating environment remains relatively stable.

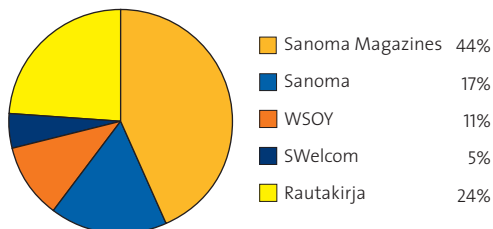
Dividend policy

SanomaWSOY conducts an active dividend policy and primarily pays out over half of Group result after taxes in dividends.

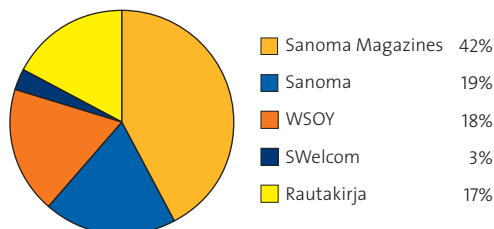
Key figures 2005

KEY INDICATORS, EUR million	1-12/2005	1-12/2004	Change, %
Net sales	2 622.3	2 504.6	4.7
Operating profit	301.3	296.7	1.5
Operating profit excluding major non-recurring capital gains	269.1	270.9	-0.7
Result before taxes	286.0	271.6	5.3
Balance sheet total	2 972.0	2 693.6	10.3
Return on equity, % (ROE)	22.3	22.7	
Return on investment, % (ROI)	15.4	18.0	
Equity ratio, %	41.3	38.6	
Gearing, %	72.8	81.5	
Earnings/share, EUR	1.45	1.31	11.1
Cash flow from operations/share, EUR	1.69	1.58	7.4
Equity/share, EUR	7.28	6.34	14.9
Dividend/share, EUR *	0.90	0.80	12.5
Market capitalisation	3 121.5	2 632.2	18.6
Personnel under employment contract, average	16 885	16 209	4.2
* Proposal of the Board of Directors.			

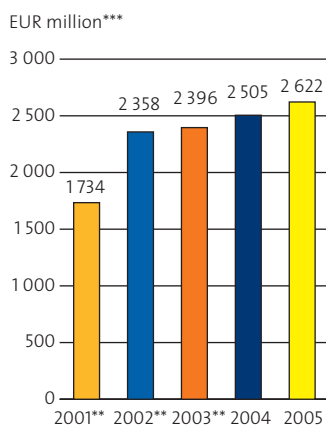
NET SALES BY DIVISION,
% OF THE GROUP



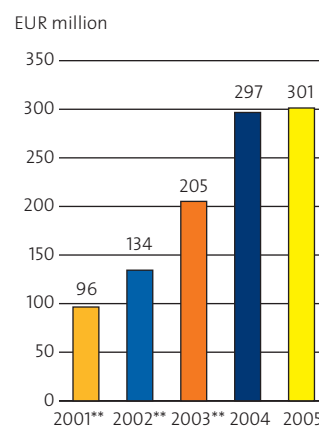
OPERATING PROFIT BY DIVISION,
% OF THE GROUP



NET SALES



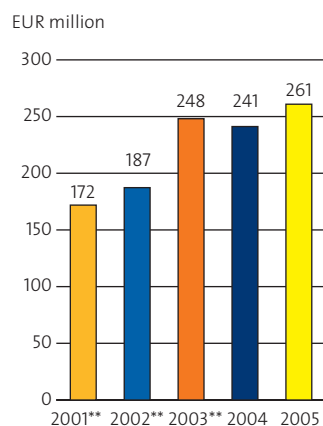
OPERATING PROFIT



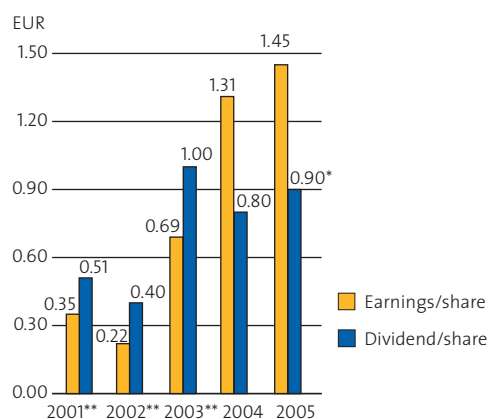
** 2001–2003 figures are according to the Finnish Accounting Standards (FAS).

*** The accounting practice of net sales has been modified in 2003. The data from 2001–2002 has not been adjusted accordingly.

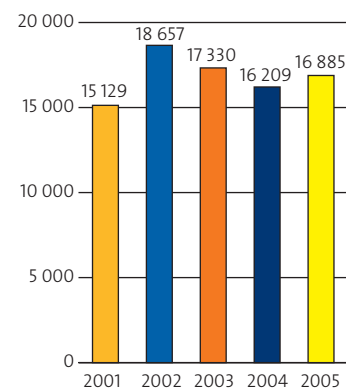
CASH FLOW FROM OPERATIONS



EARNINGS/SHARE, DIVIDEND/SHARE



PERSONNEL UNDER EMPLOYMENT CONTRACT, AVERAGE



* Proposal of the Board of Directors.

** 2001–2003 figures are according to the Finnish Accounting Standards (FAS).

Unit	Net sales		Operating profit (EBIT)				Operating profit excluding major non-recurring capital gains			
	2005	2004	2005	%	2004	%	2005	%	2004	%
Sanoma Magazines	1 181.9	1 097.8	129.1	10.9	139.7	12.7	129.1	10.9	137.3	12.5
Sanoma	446.4	435.2	59.1	13.2	70.8	16.3	58.1	13.0	59.5	13.7
WSOY	294.4	253.9	55.8	19.0	29.1	11.5	39.3	13.4	29.1	11.5
SWelcom	122.5	117.5	9.6	7.8	9.6	8.2	9.6	7.8	9.6	8.2
Rautakirja	635.9	659.7	51.2	8.0	47.2	7.1	42.3	6.6	46.2	7.0
Other companies and eliminations	-58.8	-59.6	-3.5		0.3		-9.3		-10.8	
SanomaWSOY	2 622.3	2 504.6	301.3	11.5	296.7	11.8	269.1	10.3	270.9	10.8

Investment highlights

- The leading Nordic media group
- Leading positions in the chosen segments
- Wide media portfolio in Finland, focused internationally in magazines, educational publishing, and press distribution
- Balanced portfolio of net sales
 - geographically
 - by business
 - in respect of advertising revenue
- Excellent position in the fast growing media markets in Central Eastern Europe and Russia
- Strong cash flow and financial position
- Active dividend policy

Opportunities reside in media

2005 marked an important year for SanomaWSOY: for the first time, almost half of our net sales came from outside Finland. We have experienced a rapid development, as shown by the Group's annual net sales growth of about 12% since the May 1999 merger.

Our growth is based on the performance of our competent and highly skilled professionals committed to our corporate goals. We are now more experienced and better prepared to meet

new challenges. We therefore wish to express our warmest thanks to all for their contribution to this success story.

We have created solid foundations for our Group, around which we can build our future. In order to successfully continue this building process, in 2006 we must continue to reshape our organisation in a more international direction. In this respect, we will need organisational development, per-

sonnel training, and greater internal employee mobility, bearing in mind that skilled and competent staff form our key success factor also in the future.

In 2005, we had almost 17,000 employees in our Group, showing growth, for example, as a result of 1,200 new Russian and Ukrainian colleagues joining our payroll. The Group currently has more than 5,000 employees with command of Russian.

The media industry is an important part of European societies and cannot be outsourced to China or India, for instance. We find it highly important that the industry has a favourable business environment and good business conditions in both the European Union and in each of its member states.

Our Group's size and position in the European media market provide us with the opportunity to be involved in the industry restructuring that is gathering momentum throughout the media sector. Adria Magazines Holding, a joint venture to be set up in the Balkans together with Gruner + Jahr, serves as a good example of this.

Media agencies have a significant impact on the media industry's overall development in many countries. In recent years, these buyer organisations in the advertising industry have faced a strong consolidation process, which continues. Centralised buying may lead to a situation in which negotiated discounts influence media selection more than campaign results. The media industry is also consolidating with the aim of being able to negotiate on an equal footing with global advertisers.

The future will see a strong increase in the ways that media is used, as technological advancements in electronic communication facilitate media consumption irrespective of time and place. At the same time, consumer spending power will grow, albeit at a slower pace in Europe than

industry transformation

elsewhere in the world, due to its ageing population. Population ageing will slow down changes in spending habits, which will partly dampen the effect of technological advancements.

Technological progress will mean drastic and unpredictable changes in communications. We believe that the majority of electronic media will gradually move onto the internet, applying to not only TV, data, voice, and messages but also, partly, radio. As a result, anyone could establish a TV channel. In the future, it will be extremely difficult to regulate TV and radio broadcasting in the same way that it has been to the present day. Internet television's strength lies in its genuine interactivity, rarely available in the conventional television system.

While electronic media diversifies, it will become fragmented in an unprecedented way, making it more difficult to organize financing through advertising. The resulting new operating environment will also complicate the timing and targeting of advertising messages. Accordingly, only major news, sports, and music events will have the potential of attracting a large audience at the same time. In practice, all other quality content will become payable to its subscriber.

This transformation will provide our Group with great opportunities. Technological progress will open up new ways of converting ourselves into a cross-media company in all our markets, while providing us with an excellent breeding ground for new business operations exploiting the internet.

We will not only continue to further develop and expand our magazine business but also create new content for it by exploiting the internet. We are confident that this kind of combination will provide both our readers and advertisers with a unique, targeted content package. We will also invest in distribution, especially in markets where this has great potential of enhancing our magazines' competitiveness.

Learning is becoming a global competitive factor. In this competition, our educational publishing business is well positioned to succeed, develop, and expand. We will invest in the unit's international expansion and the development of eLearning systems in particular.

In Finland, the Group holds a remarkable position, which we wish to strengthen through ongoing development. SanomaWSOY's cross-media structure will provide a solid basis for this work, and the Group will also supplement this structure when necessary. If utilised in an appropriate way, this cross-media environment will also form a major competitive factor and source of growth for our newspapers.

We believe in freedom of speech and are confident that there will always be demand for high-quality content among readers, viewers, and advertisers.

It gives us great pleasure to thank our customers, shareholders, and other stakeholder groups for their trust in us, and we will make every effort to remain worthy of that trust. ■

Jaakko Rauramo,
Chairman



Expansion eastward and focus on core business



Sanoma Magazines expanded into Russia

▲ In early 2005, Sanoma Magazines announced that it had agreed to buy Independent Media, Russia's leading consumer magazine publisher, which publishes over 30 consumer and business magazines, as well as three newspapers in Russia and the Ukraine. Product portfolio includes internationally renowned magazine brands, such as Cosmopolitan, Good Housekeeping, FHM, and Men's Health, as well as Russian newspapers The Moscow Times and Vedomosti.

Sanoma's newspapers did well

▲ The good result and readership growth of Helsingin Sanomat further strengthened its position. Free sheets also showed strong growth, as evidenced by Kaupunkilehti Vartti's expansion to cover the whole of the Helsinki metropolitan area and Uutislehti 100 consolidating its position as the leading free commuter daily in the same area. Sanoma also invested heavily in online services. Consequently, the division has grown into the indisputable largest online service for classified ads as a result of Oikotie's vigorous growth, the acquisition of the Huuto.Net online auction service, and the further development of Keltainen Pörssi.

Showing excellent performance in 2005, SanomaWSOY posted its best-ever results and continued its strong growth. Both magazine operations and press distribution expanded into the Russian market. SanomaWSOY also continued to focus on core business by divesting its diary operations and two printing plants.



WSOY focused on its core business

▲ WSOY divested Dark, a digital printer, in August, the Ajasto ▲ diary group in September, and the printing house Lönnberg Painot in October. The Division will focus on educational publishing in Europe and publishing operations in the Nordic region.

SWelcom invested heavily in TV channel Nelonen's programmes

▲ Nelonen continued to successfully increase its market share. In order to enable future growth, it invested heavily in its programmes. Autumn launches included a Finnish version of the Survivors and Kylmäverisesti sinun, a Finnish police series, among others. October saw the launch of a Finnish version of Wife Swap and the award-winning Desperate Housewives.

Rautakirja's press distribution expanded

▲ Rautakirja acquired TK Pressexpo, a press distribution company in the Moscow region. Rautakirja aims to attain the leading position in press distribution in Russia's major economic and business zones. It currently leads the market for press distribution in Finland, Estonia, Latvia, Lithuania, and Romania.

A complete list of SanomaWSOY's releases for 2005 can be found in the Financial Statements section page 77 and on the Group's website at www.sanomawsoy.fi.

Media consumption on the rise

P People spend more and more time with media and expect increasingly more individualised products and services, which is why consumption of electronic media and entertainment will experience a strong increase: technological progress has made it easier than ever before to consume media irrespective of time and place. Technological progress has also provided magazines and newspapers with opportunities to offer their readers more targeted content and widen offerings using the internet.

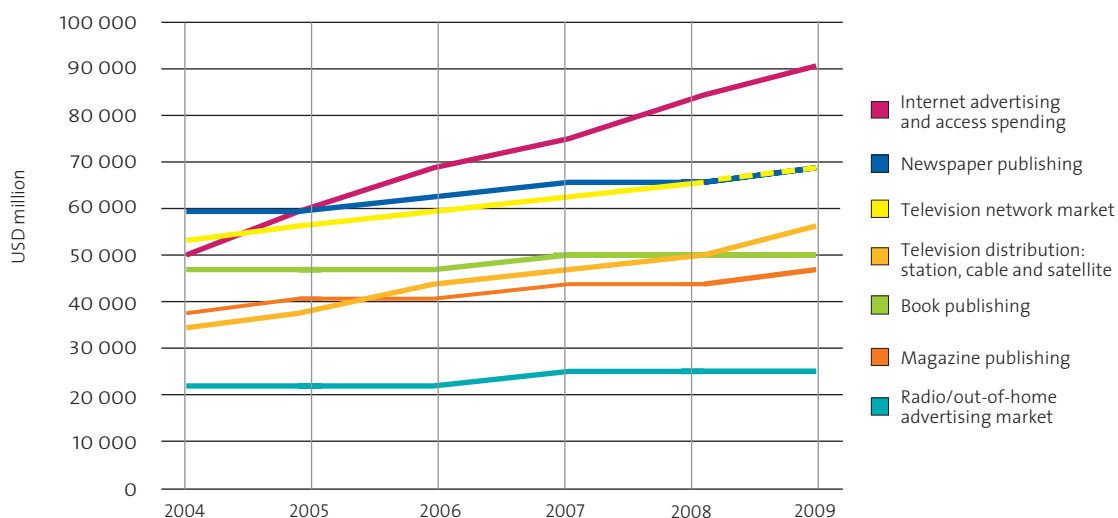
Favourable economic development and growth in media consumption are also reflected in the strong expansion in the media and entertainment market. According to PricewaterhouseCoopers, the internet and games markets will report the greatest growth both on a global basis and in Europe. The growth rate in markets for magazine, newspaper, book, and business information is predicted to come to about half of the media and entertainment market's total average.

Printed media held a strong position in 2005, with newspapers representing the largest sector in the European media market. Despite growth in electronic media, printed media will maintain its central role.

The advertising market also showed favourable development in Europe in 2005. According to ZenithOptimedia's estimate, the total European advertising market expanded by about 3%, the estimated growth coming to about 4% in Finland, and about 2% in the Netherlands and in Belgium, while most CEE countries and Russia reporting markedly greater growth rates.

The way people consume media is constantly changing, which will have a powerful impact on media companies. Consumers' willingness to belong to communities is an upward trend, which is why conventional magazine publishers, for example, are also actively branching out into the field of electronic media. Websites built on strong

Media market development in Europe by sector



Source: PricewaterhouseCoopers, Global Entertainment and Media Outlook: 2005–2009

magazine brands often form virtual communities with members sharing information and experiences as well as producing their own content. Interactivity and consumer participation in the development of products and services as well as the importance of strong brands seem to increase further in the future.

Although newspapers are still at the core of newspaper publishers' business, many European publishers are more actively looking for new growth areas to supplement their conventional business operations. Free sheets and electronic business, especially classified advertisements, represent the most fascinating areas with growth potential.

The European educational publishing market is also undergoing transformation, shifting from the conventional text book publishing towards that of complete learning systems. These systems consist not only of printed text books but increasingly also electronic learning environments and other electronic material. Technological progress also makes it possible to make use of the same development tools and content modules, such as pictures, in various educational materials and across countries.

Watching TV is one of the most popular ways of spending leisure time in Europe. When the cross-media concept spreads, TV programmes become more closely integrated as part of people's leisure time. In addition to the actual TV programme, related websites, chat rooms, Web TV solutions, and even magazines specific to the programme form an integrated whole, enabling viewers to enjoy the versatile range of this content. New mobile and recording solutions enabled by technological progress will also make TV viewing independent of time and place. This development also leads to the strong fragmentation of the audio-visual market.

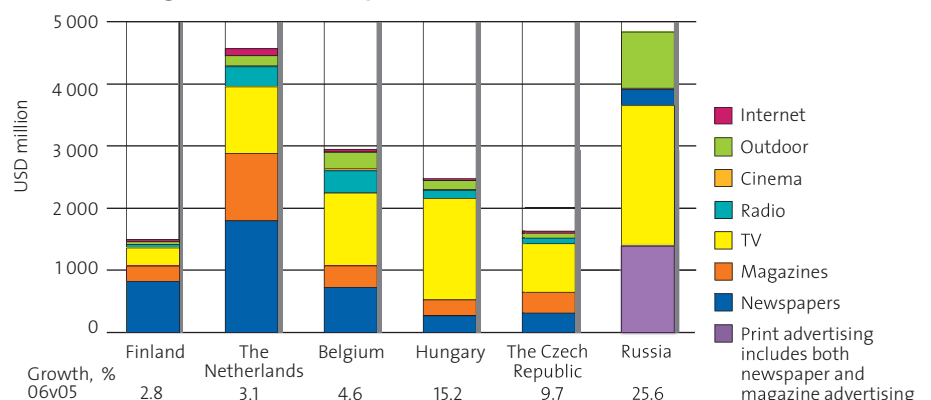
Development of GDP, private consumption, and CPI, %

	GDP		Private consumption		CPI	
	2005	2006	2005	2006	2005	2006
Belgium	1.5	1.8	1.0	1.5	2.5	2.3
Bulgaria	5.7	4.3	7.1	4.1	5.0	5.8
Croatia	3.3	3.8	3.7	3.8	3.3	3.2
Czech	4.9	4.4	2.6	2.8	1.9	2.4
Estonia	7.7	6.7	7.4	5.8	4.2	3.5
Finland	1.6	2.5	3.5	3.7	1.2	1.7
Germany	0.9	1.7	-0.1	0.3	1.9	2.1
Hungary	2.7	3.7	2.9	4.5	3.6	1.9
Latvia	9.5	7.7	8.9	8.6	6.8	5.8
Lithuania	6.5	5.6	7.0	6.0	2.8	2.6
The Netherlands	0.8	2.0	0.1	1.2	1.6	1.5
Poland	3.2	4.0	2.2	3.0	2.3	1.9
Romania	5.0	4.5	12.4	2.8	8.9	7.2
Russia	6.0	5.6	11.5	9.5	12.7	10.0
Slovakia	5.5	5.6	5.3	5.0	2.8	3.3
Sweden	2.4	3.0	2.2	3.0	0.4	1.4
Serbia and Montenegro	5.0	5.0	6.7	6.5	16.0	14.6
The United Kingdom	1.6	1.8	1.8	1.7	2.1	1.8
The Ukraine	3.0	5.0	10.0	8.0	13.6	10.0

Source: EIU, January 2006

Lack of well-performing press distribution is one of the most severe bottlenecks in the magazine publishing in many CEE countries. Without efficient press distribution, publishers cannot ensure that their readers receive their magazines easily. For this reason press distribution and the kiosk business, included in the same value chain, especially in CEE countries, are being developed further. Well-functioning press distribution plays a vital role when launching weekly magazines with a wide circulation, for example, in Russia. ■

Advertising market development in 2005



Source: ZenithOptimedia, December 2005

Organisation and main operating countries

SanomaWSOY Group

Chairman Jaakko Rauramo

President and CEO Hannu Syrjänen

Net sales EUR 2,622.3 million

Operating profit EUR 301.3 million

Sanoma Magazines

President and CEO Eija Aillasmaa

Net sales EUR 1,181.9 million

Operating profit EUR 129.1 million

Magazine publishing and distribution

Sanoma

President Mikael Pentikäinen

Net sales EUR 446.4 million

Operating profit EUR 59.1 million

Newspaper publishing and printing

WSOY

President Jorma Kaimio

Net sales EUR 294.4 million

Operating profit EUR 55.8 million

Educational publishing and publishing

SWelcom

President Tapio Kallioja

Net sales EUR 122.5 million

Operating profit EUR 9.6 million

Electronic media

Rautakirja

President and CEO Erkki Järvinen

Net sales EUR 635.9 million

Operating profit EUR 51.2 million

Kiosk operations, press distribution, bookstores, and entertainment

Belgium (personnel 612)

- magazines
- educational publishing
- internet services

Bulgaria (91)

- magazines

Croatia (93)

- magazines

The Czech Republic (221)

- magazines

Estonia (985)

- kiosk operations
- press distribution
- bookstores
- movie theatres

Finland (8,789)

- magazines
- newspapers
- books and educational publishing
- TV-operations
- kiosk operations
- press distribution
- bookstores
- movie theatres
- internet and broadband services
- printing plants

Germany (27)

- multipurpose arena

Hungary (570)

- magazines
- internet services

Latvia (585)

- kiosk operations
- press distribution
- movie theatres

Lithuania (1,314)

- kiosk operations
- press distribution
- movie theatres

The Netherlands (2,593)

- magazines
- educational publishing
- press distribution
- internet services

Poland (290)

- eLearning business

Romania (291)

- magazines
- press distribution

Russia (1,219*)

- magazines
- press distribution

Serbia and Montenegro (28)

- magazines

Slovakia (56)

- magazines

Sweden (134)

- multi-volume books

The Ukraine*






- magazines

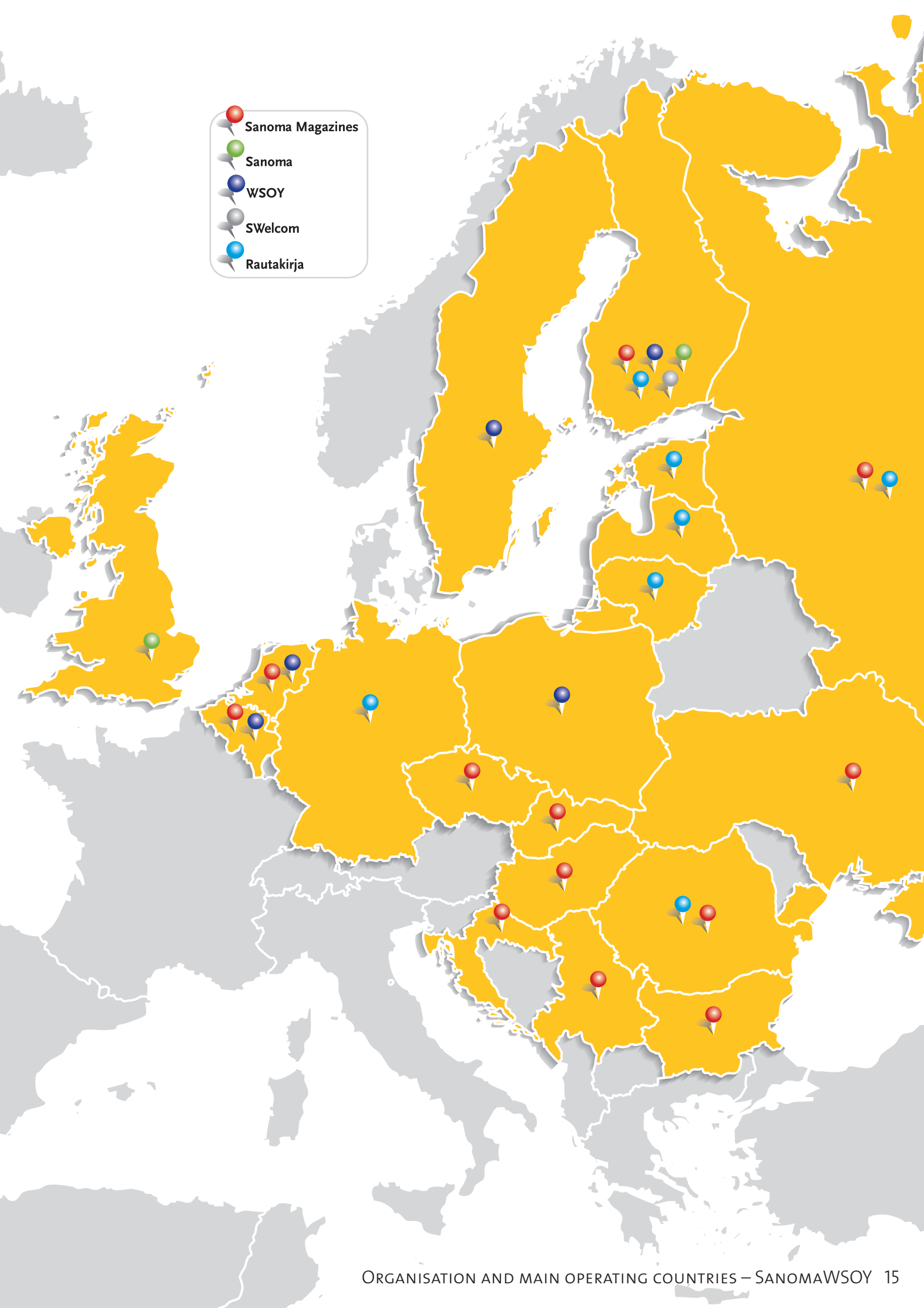
The United Kingdom (55)

- business information services

* The personnel of Russia and the Ukraine together.



-  Sanoma Magazines
-  Sanoma
-  WSOY
-  SWelcom
-  Rautakirja





◀ Sanoma Magazines International launched National Geographic in Bulgaria.



◀ During the Frankfurt Bookfair, Dutch Donald Duck received the Disney Marketing Award for a campaign with targeted school projects.



▲ Sanoma Magazines Finland's success in the readers' market continued strongly. ET (50+ magazine) and Donald Duck did especially well. The company has many popular magazine brands; one of the most popular is the Gloria magazine family.



◀ With Comeva, the Flemish women's magazines launched a project to stimulate 'gender thinking.' The outcome was the publication of the book "Hello Adam, this is Eve speaking."

▲ The Libelle Summer Week and the Margriet Winter Fair are well known events of Sanoma Uitgevers in the Netherlands. In 2005, a special day was organised for the young readers of the magazine Bobo.

Aldipress, the leading distribution company in the Netherlands, centralised operations to Duiven. ▼



▲ Sanoma Magazines acquired Independent Media with its operations in Russia and the Ukraine. The circulation of Cosmopolitan's Russian edition is over a million.



◀ ilse media has leading internet portals and search, community and news services in the Netherlands. In 2005, ilse media's very strong organic growth was further accelerated by acquisitions.

Heading east and heading to the internet

Sanoma Magazines' rapid growth continued. Operations have expanded both geographically and outside the traditional areas of magazine publishing.

Magazine publisher Sanoma Magazines had an excellent year in 2005.

"We achieved the targets and our strategic milestones set for the year well. We grew the business, expanded our operations in new markets, launched new magazines, and developed our online activities," says Eija Ailasmaa, President and CEO of Sanoma Magazines.

Sanoma Magazines' net sales rose in 2005 to EUR 1,181.9 million, and the division recorded a 10.9% operating profit on its sales. Earnings performance remained good, despite the heavy investments made in new markets and products.

"In terms of our future, the biggest development during the year was our acquisition of the Russian magazine publisher, Independent Media, in January. This acquisition has given us access to one of the potentially largest and currently fastest-growing markets," tells Ailasmaa.

"We've acquired a quality business in Russia, and we've gone straight to the market leader spot. The deal has also seen us extend operations into the Ukraine."

Sanoma Magazines also entered Serbia and Montenegro in February. In December, it announced the signing of a letter of intent to establish a joint venture with the German publisher Gruner + Jahr. The joint venture aims to strengthen Sanoma Magazines' position in the Adriatic region. When finalised, this deal will also see Sanoma Magazines expanding its operations in Slovenia.



"The value of strong brands will only increase as cross-media expands." Eija Ailasmaa



'Familie Polder,' a study on households' spending was awarded the Best Research of the Year in the Netherlands by the organisation of media planners. ▶

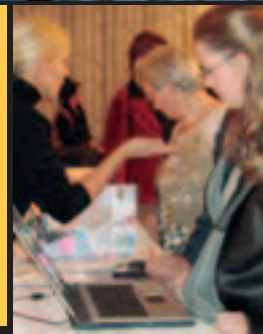


◀ Week of the magazine-makers, a big event organised for Sanoma Uitgevers' employees, was full of presentations and workshops about the profession of a journalist.



▲ Moving to new premises, SMF Tower, brought all Sanoma Magazines Finland's editorial offices under one roof.

▲ In April, Sanoma Magazines International launched its first magazine, Elle, in Serbia and Montenegro.



◀ Margriet got the Mercur d'Or Award and was praised for its brand extensions. Remarkable were the appearances of the diet-program on a special site, in a little book, and with demos on the Winterfair.

▲ Flair magazine organised a Shopping Day in Belgium, with a variety of performances and shows. The exceptional amount of 80,000 readers showed up at this event.

Just like many others, the editorial offices of Sanoma Magazines collected money for the victims of the Tsunami-disaster. The reports of aid on site were very important. ▶



Extending the customer driven aspect of operations will be one of the most important competitive factors in the future.

The year 2005 was successful for Sanoma Magazines, even though the market situation in its main markets, such as Belgium and the Netherlands, remained challenging. The growth figures seen in Russia and the growth markets of Central Eastern Europe are in a class of their own, but Ailasmaa finds a lot to be happy about also in Western and Northern Europe.

“Sanoma Magazines Finland turned in an excellent result, even better than expected. Our main titles were able to increase both their sales and results,” says Ailasmaa.

The reasons for this success are not difficult to find. Strong magazine brands, systematic development of internal processes and organisations, as well as professional teams of journalists and back-office people are a recipe for success anywhere.

“Our online publisher in the Netherlands, ilse media, recorded another excellent year. The company further strengthened its operations and service offering, and its news service Nu.nl was voted the best internet news site in the Netherlands in 2005.”

In addition to the recognition won by ilse media, many other titles, brands, and people within Sanoma Magazines were recognised as among the best in their field in 2005.

The online business took an important step forward in 2005. Sanoma Magazines has been most successful in taking advantage of the opportunities offered by the web in the Netherlands and Hungary.

Virtual communities and portals have been a particular focus of attention in the Netherlands, and Sanoma Uitgevers has acquired three portals over the last couple of years.

“We want to be part of young people’s online life, helping them share information, images, and experiences, and generate their own unique con-

tent,” continues Ailasmaa. “We also want to promote new ways of using media, in which the young people are pioneers.”

A part of Sanoma Magazines’ online services are more focused on niche areas and serving the special needs of customers. Depending on the country and the market, Sanoma Magazines is also interested in online auction services and job portals.

“We’ve spread our net across a very wide range of online opportunities. Our recent online product launches highlight our potential as a magazine publisher to bring strengths to the online table and create new, profitable business in this arena.”

Customers want more customised content than before. In addition to printed magazines, Sanoma Magazines develops supplementary services.

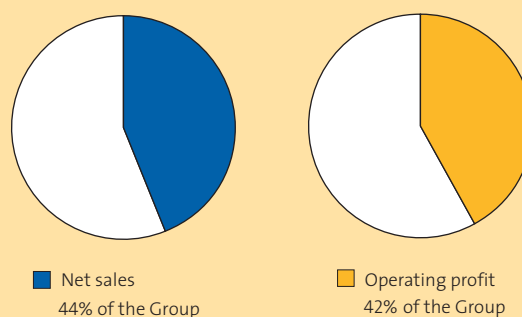
“We are doing a lot in this field. For example some of our home and decoration magazines, in addition to their print editions, produce interactive services related to moving house, organise home and interiors fairs, and offer a range of household furnishings and goods. These are all important potential ways of growing the business if the underlying brand is strong.”

In some areas, the brand outside its printed format is still about learning and experimenting with new business models, as in the case of the Dutch women’s magazine Libelle’s web radio service launched in May. It enables, among other things, for listeners to generate playlists of their favourite tunes. The readers of Fancy, a Dutch magazine for teenage girls, also enjoy a similar service for downloading readers’ favourite music.

“It is strategically important for us to increase the time that readers spend with our strong

Sanoma Magazines is one of the five largest consumer magazine publishers in Europe. The Division serves its readers and advertisers through 289 titles in 12 countries. Next to publishing its strong portfolio of magazine brands for various reader communities, Sanoma Magazines is expanding its business to other media platforms, with a strong focus on interactivity.

SANOMA MAGAZINES NET SALES AND OPERATING PROFIT



ORGANISATION

Sanoma Uitgevers (the Netherlands)

- Women's magazines
- Men's magazines
- Home & decoration magazines
- Children's and youth publishing
- Custom publishing
- ilse media groep (internet services)
- RCV Entertainment (film distribution)

Sanoma Magazines Belgium

- Women's magazines
- TV magazines
- Home & decoration magazines
- Custom publishing
- Internet services

Sanoma Magazines Finland

- Women's and family magazines
- Technical magazines and custom publishing
- Youth publishing

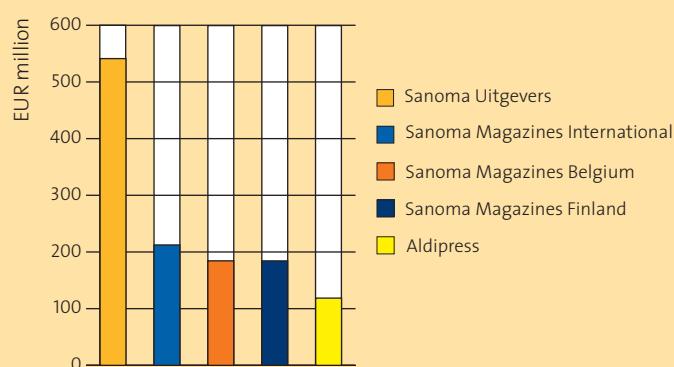
Sanoma Magazines International

- Consumer magazines, custom publishing, and internet services
 - South East Europe (SEE)
 - Bulgaria
 - Romania
 - Croatia
 - Serbia and Montenegro
 - Central Europe (CE)
 - Hungary
 - the Czech Republic
 - Slovakia
 - C.I.S.
 - Russia
 - the Ukraine

Aldipress (the Netherlands)

- Press distribution

NET SALES BY BUSINESS



KEY INDICATORS

EUR million	1-12/2005	1-12/2004
Net sales	1 181.9	1 097.8
Operating profit	129.1	139.7
% of net sales	10.9	12.7
Operating profit excluding major non-recurring capital gains	129.1	137.3
% of net sales	10.9	12.5
Return of investment, % (ROI)	11.8	13.3
Personnel under employment contract, average	5 275	4 524

OPERATIONAL INDICATORS*

	1-12/2005	1-12/2004
Number of copies sold (press distribution / Aldipress), thousands	116 106	121 822
Number of magazines published	289	248
Magazine copies sold, thousands	442 632	428 767
Number of advertising pages sold	53 474	46 155

* Including joint ventures

magazine brands and it should not be limited to the number of issues in a year.”

Activating readers is part of magazine publishing today. Hundreds of thousands of people took part in events organised by Sanoma Magazines’ titles in 2005. The winter fairs organised by Margriet, the shopping fairs organised by Flair, Libelle’s summer weeks, and Woonbeurs’ home and decoration fairs, among others, have all become classics over the years.

Extending the customer driven aspect of operations will be one of the most important competitive factors in the future, believes Eija Ailasmaa. This covers understanding not only the needs and behaviour of advertisers, but those of readers as well.

Major international advertisers operate in all markets with the same principles, and Sanoma Magazines is committed to further developing its expertise to serve them better. To access the information faster, best practices are being transferred across the Division.

“The way young consumers, in particular, behave is changing radically. We need to be able to anticipate tomorrow’s media landscape – and understand what opportunities and demands the coming changes represent for our business, and what kind of skills, organisational structures, and human resources we will need, as well as how traditional and new media can best benefit each other,” says Ailasmaa.

At the same time she points out that Sanoma Magazines can never afford to forget its existing core competences and businesses.

“Each unit should ensure that their own products and brands are as competitive as possible in their markets, and are winners in every sense of the word. The business environment is different in every country we operate in, and that’s why we devolve management responsibility in our organisation as far as possible.”

“In 2006, we will further strengthen our market position in both our current and selected markets. That will see us continuing to expand and launch new products,” says Ailasmaa.

She believes that consolidation continues in magazine publishing and promises that Sanoma Magazines will be actively involved in this development. ■



Derk Sauer

Full steam ahead in Russia

Russia is one of the world’s fastest growing markets for magazine publishing. Independent Media knows how to

make the most of the opportunities presented to it.

“The magazine publishing market in Russia is growing rapidly, but our growth has been even faster,” says Derk Sauer, CEO of Independent Media.

This is the result of a strong product portfolio. Both well-established, familiar magazine brands, and newly launched titles are currently published by Independent Media.

“In 2005, the launch of Esquire magazine was very successful. With a circulation of over a million, Cosmopolitan is as our flagship title. In addition, Men’s Health, Vedomosti, and The Harvard Business Review, among others, have clearly exceeded our expectations,” Sauer says.

In 2005, more than 140 new titles were launched in the Russian magazine market. Succeeding against this tough competition demands a lot from a publisher.

“We have to find the right target markets and continually introduce new concepts. With our new owner Sanoma Magazines, we will extend our business into a new area, namely weekly titles. With the know-how that exists within the Division, we are able to launch two new weeklies; Gloria for young women and Smart Money for the business community,” explains Sauer.

Moreover, Independent Media’s market position will be further strengthened, due to SanomaWSOY’s experience in distribution.

“Distribution is the biggest problem for the Russian magazine business. There are fewer and smaller retail outlets than elsewhere in Europe, so this can hamper the business. Thanks to Rautakirja, we will be able to address the issues quickly,” Sauer predicts.

Per capita advertising spend in Russia is just a fraction of that in other European countries. How much scope for growth is there for media advertising in Russia?

“It is difficult to make precise growth forecasts for the dynamic Russian market. I’d rather focus on getting results than making forecasts,” Sauer says. ■

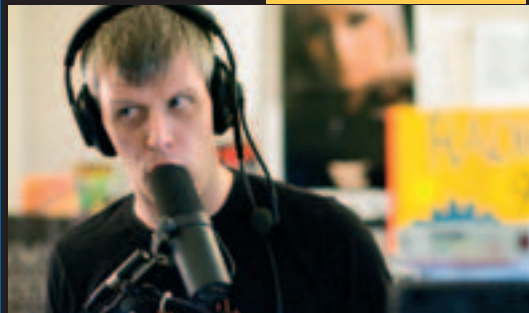


◀ Uutislehti 100 is the market leader in free commuter dailies in the Helsinki metropolitan area. Alongside the news provided by the Finnish News Agency also readers have been invited to contribute to the free sheet.

Helsingin Sanomat produces online news for the Nelonen website and teletext: this service provides the latest domestic, international, business, sports, and entertainment news. ▶



Radio Helsinki contributes to Helsingin Sanomat's strong cross-media strategy and local presence in the Helsinki metropolitan area. The channel aims to become the area's most listened commercial radio station among its target audience. ▶



The redesign of Helsingin Sanomat increased the visibility of local news in the newspaper. At the same time, the daily enhanced interactivity by giving more space to the Letters to the Editor section in both its printed and online version. ▶



◀ An online music store operated by Helsingin Sanomat and Ilta-Sanomat provides consumers with an easy and legal way for music download shopping.



The Huuto.Net online auction service together with the Keltainen Pörssi classified ad service raised the number of weekly unique visitors of Ilta-Sanomat's online services to over one million. ▶



◀ Sanoma combined its business-to-business services – Talous-sanomat Oy, the Esmerk Group, and Lehtikuva Oy – under the Sanoma Business Services business unit.



Feeling the pulsing life of the city

For Sanoma, 2005 was characterised by free sheets, the redesign of Helsingin Sanomat, and the development of online services.

Sanoma's profit performance for 2005 was better than expected. Its net sales improved to EUR 446.4 million, of which operating profit accounted for 13.2%. Its largest business unit, Helsingin Sanomat, performed outstandingly well.

"Helsingin Sanomat re-emerged as the market leader in media sales," says Mikael Pentikäinen, President of Sanoma.

In Pentikäinen's view, the redesign of Helsingin Sanomat was a great success: the news section's visual look became

sharper, the City pages and local news took more space, and the amount of opinion journalism increased. This revamp is also reflected in the paper's circulation figures.

Pentikäinen also speaks highly of Sanoma's reorganisation. Sanoma Data, established in early 2005, gathered together IT experts from various units.

"We can already witness that the new unit has improved our efficiency and enhanced IT expertise. A more standardised technology infrastructure increases efficiency and flexibility," states Pentikäinen.

Sanoma became a major player in the free sheet business when it established the new Sanoma Kaupunkilehdet business unit for free sheets and made related investments.

"2006 will become a year of consolidating our market position and further developing our papers. We will also place a strong focus on advertising sales," outlines Pentikäinen.

Expanding free sheet operations will boost Sanomapaino's printing operations. Pentikäinen is particularly pleased with improvements in the printing plants' production reliability as costs due to delays fell to less than half during 2005.

In April, Helsingin Sanomat acquired a local radio station Radio Helsinki operating in the Helsinki metropolitan area. This acquisition not only strengthened its cross-media strategy and local presence but also enabled it to better reach the target group of young adults.

Particularly the tabloid Ilta-Sanomat's results were reflected by the relatively quiet year for news. "We did not meet our targets set for market share and circulation," says Pentikäinen.

"However, we have invested especially in online and developed Ilta-Sanomat's product range in such a way that we will see the resulting fruits in the years to come."

For example, Huuto.Net, an online auction service acquired in July, attracts some 400,000



"Matter and meaning.
An unconventional approach:
Excellence with courage." Mikael Pentikäinen

Sanoma is the leading newspaper publisher in Finland. In addition to Helsingin Sanomat, the largest subscription-based daily in the Nordic region, the Division publishes national and regional newspapers, local papers, and free sheets, as well as related online editions and services. Sanoma also operates Finland's leading service for classified ads and provides corporate customers with business information, photo agency, and news analysis and summary services.

ORGANISATION

Helsingin Sanomat

- Helsingin Sanomat (daily newspaper)
- Oikotie (classified ads)
- Radio Helsinki (local radio station)

Ilta-Sanomat

- Ilta-Sanomat (tabloid)
- IS Veikkaaja (sports and betting weekly)
- Classified ad publications and services
 - Keltainen Pörssi
 - Palsta
 - Kuldne Börs (Estonia)
 - Huuto.Net (online auction service)

Sanoma Lehtimedia

- Regional papers
 - Etelä-Saimaa
 - Kouvolan Sanomat
 - Kymen Sanomat
- Local papers, 6 titles

Sanoma Business Services

- Taloussanomat
 - Taloussanomat (business daily)
 - News Agency Startel
 - ITviikko (magazine for IT professionals)
 - Digitoday.fi (online IT news service)
- Esmerk (business information)
- Lehtikuva (picture agency)

Sanoma Kaupunkilehdet (free sheets)

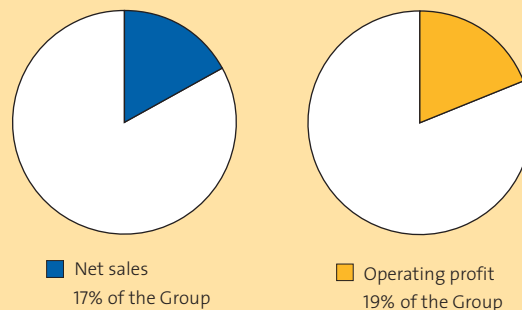
- Uutislehti 100
- Kaupunkilehti Vartti
- V
- Local free sheets, 5 titles

Sanomapaino

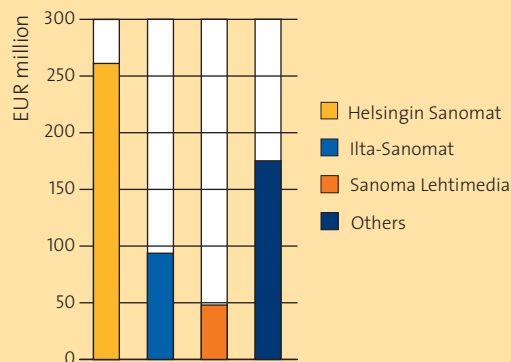
- 5 printing plants in Finland

Sanoma Data (IT operations)

SANOMA NET SALES AND OPERATING PROFIT



NET SALES BY BUSINESS



KEY INDICATORS

EUR million

	1-12/2005	1-12/2004
Net sales	446.4	435.2
Operating profit	59.1	70.8
% of net sales	13.2	16.3
Operating profit excluding major non-recurring capital gains and release of provision	58.1	56.5
% of net sales	13.0	13.0
Return of investment, % (ROI)	17.8	23.0
Personnel under employment contract, average	2 782	2 746

OPERATIONAL INDICATORS

		1-12/2005	1-12/2004
Helsingin Sanomat	Circulation, copies	430 785	434 472
	Advertising volume (column km)	41.5	41.3
Ilta-Sanomat	Circulation, copies	195 673	201 281
	Advertising volume (column km)	7.1	6.8
Taloussanomat	Circulation, copies	38 505	39 229
	Advertising volume (column km)	2.3	2.7
Other daily papers	Total circulation, copies	88 450	88 952
	Advertising volume (column km)	22.2	23.3
Local newspapers	Total circulation, copies *	32 518	32 781
	Advertising volume (column km)	9.2	9.1
Free sheets	Distribution total, million copies	52.7	10.0
	Advertising volume (column km)	16.6	3.4

* Unaudited circulation figures.

visitors to its site every week. Annual sales made in the service are similar to those generated by a large shopping centre. Online services of Ilta-Sanomat, the classified ad service Keltainen Pörssi, and Huuto.Net reach weekly over million unique visitors.

The regional and local papers published by Sanoma Lehtimedia showed a steady profit performance despite the effects of the retail sector's restructuring on advertising sales.

The Sanoma Business Services business unit was established in March by combining Sanoma's B2B services units – Esmerk, Lehtikuva, and Taloussanomat – under the same roof. The business unit's role is to identify new products and product areas. One of these includes the Sanoma archive introduced in the autumn and the competitor-monitoring service, the latter being based on cooperation between Uutistoimisto Startel, a news agency, and Esmerk, a business information services provider.

"Esmerk is one of our fastest growing units that clearly moved into profit in 2005," says Pentikäinen.

Also the daily business newspaper Taloussanomat continued to grow, though at a more modest rate than initially expected. Nevertheless, the number of visitors at its website increased strongly.

Changes in technology and media consumption have a major effect on Sanoma's business operations. Although the gradual downward trend in papers' circulation will continue, online versions will make it possible to reach a larger readership. Sanoma's online operations are expected to almost double their net sales during the current strategy period.

In 2006, the development of online business will specifically be in Sanoma's focus.

Helsingin Sanomat's website was redesigned in January and Huuto.Net will also be redesigned. Excellent examples of the development of online business include the Oikotie Travel, an online classified ad service, and an online music store managed by Helsingin Sanomat and Ilta-Sanomat, which has rapidly increased its popularity and is a good complement to these newspapers' content services.

"According to our strategy, we aim to grow without compromising profitability, and this also applies to conventional publishing operations, printed media business. The media market looks relatively good in Finland. We aim to grow at above market and GDP rates," affirms Pentikäinen. ■



Kaius Niemi

Close to the reader

The circulation of Helsingin Sanomat has remained steady from year to year although forecasts have suggested a downward trend for newspapers for a long time. Having no equal in Finland, Helsingin Sanomat – a.k.a. *Hesari* – has not only a role as a national daily but also serves readers in the Uusimaa region as a local newspaper. The paper's redesign in November 2005 strengthened its local mission as its City pages were given not only more space but also more visibility in the beginning of the paper.

"These times highlight a local presence. Urbanites want to know what happens in the neighbourhood. They want to get the feeling of managing their lives. We provide our readers with tools to anticipate and have their say in events in their neighbourhood," explains Kaius Niemi, City Editor of Helsingin Sanomat.

Finns nationwide are interested in the events and news of the Helsinki metropolitan area, bearing in mind that many trends tend to spread from this area to the rest of Finland.

"Local politics and policy-making are at the core of the news in the City section, but we attempt to take a human-oriented approach to bureaucratic and administrative issues by creating intelligible and analytical writings from extensive and complicated issues."

Helsingin Sanomat is present in many ways in the everyday lives of the people in the Helsinki metropolitan area. Events for children is one of the focus areas, as evidenced by *Hesari* sponsoring the Helsinki Cup international junior football tournament, organising family events during the winter holiday week, and supporting meal services provided for children in playgrounds. Strengthening the local presence intensifies the readers' relationship with the newspaper while increasing its circulation.

"We must be able to offer stories that attract new subscribers to Helsingin Sanomat. Sustainable, intriguing, and attentive journalism helps appeal to an increasing number of readers," says Niemi. In this respect, the paper's redesign proved a success, reflected in both positive reader feedback and favourable developments in circulation.

The nimble City Edition is planning to intensify cooperation with the online edition, Verkkoliite. Utilising the internet is vital to Helsingin Sanomat. *Oikotie* classified ad service, a forerunner in developing online business and the multi-channel model within Sanoma, provides an effective combination of print and online advertising under a single brand. ■



▲ WSOY focuses on publishing and educational publishing. It divested the Ajasto diary group, printing house Lönnberg Painot, and the digital printer Dark in the autumn.

During the renovation of WSOY's precious office building, scaffolding was also used for advertising purposes. ►



▲ Fast growing WSOYpro training provides its customers with the latest information on financial, HR management, and law, under the guidance of the leading professionals in Finland.

WSOY's value chain from author to reader works smoothly. As a result of rapid growth in demand for a book, due for example to a book award, WSOY is capable of supplying new copies within 36 hours. ▼



▲ Integrating educational publishing operations has been reflected in cooperation in purchasing paper and printing operations, harmonising ICT, and sharing contents between countries. The Publishers' Day attracted WSOY's educational publishers to Helsinki.

Finnish literature has gained ground in Europe. In addition to Arto Paasilinna (left), Kari Hotakainen and Hannu Raittila, among others, achieve sales of tens of thousands of copies. ►



A textbook example

In 2005, WSOY's organisation underwent a major transformation: the integration of new units made major progress while the units generating around a quarter of net sales were divested.

The book publisher WSOY improved its net sales to EUR 294.4 million and its operating profit accounted for 19.0% of net sales in 2005. Educational materials represented around 51% of net sales.

"We met our goals well and our strategic ones extremely well. Only our established units showed more modest growth than expected, but the new units more than filled this gap. Added to this, we recorded capital gains on the sale of our diary operations and two printing houses," says Jorma Kaimio, President of WSOY.

"As a result of these divestments, we became a stronger, more integrated Division, considering the rather slim linkage between the divested units and our core business, the publishing of books and educational materials. Now we are able to focus our resources on growth projects."

A plan to become Europe's leading educational publisher began to turn to reality during 2005. Four educational publishers together formed an effective, integrated whole: SanomaWSOY Education.

"Our absolutely most important achievement in 2005 included the integration of Malmberg Investments, acquired the year before, as part of our business," states Kaimio.

The range of educational materials produced by the units in Belgium, the Netherlands, Poland, and Finland was analyzed, which opened the way for sharing the best contents.

Young Digital Poland (YDP) made a comprehensive range of electronic educational materials for use by all school grades. More than 200 professionals in YDP created this package in line with the UK curriculum. The resulting product is unequalled worldwide.

Markets are going electronic in other sectors too. The electronic versions of updatable business publications provided by WSOYpro outsold their printed counterparts in spring 2005. Electronic publications form part of the rapidly grown WSOYpro.fi service, for which it is easy to customise new, chargeable value added services.

"Professionals want an access to a single, versatile service on a one-stop-shop basis. We are well-positioned in this respect, considering the SanomaWSOY Group's resources," he affirms.



"We wish to broaden people's minds, enhance their knowledge, and improve the quality of their lives by publishing good literature and educational materials." Jorma Kaimio

WSOY is Finland's leading book publisher and a significant European educational publisher.

ORGANISATION

Educational publishing

- WSOY Oppimateriaalit
- Malmberg (the Netherlands)
- Van In (Belgium)
- Young Digital Poland (Poland)

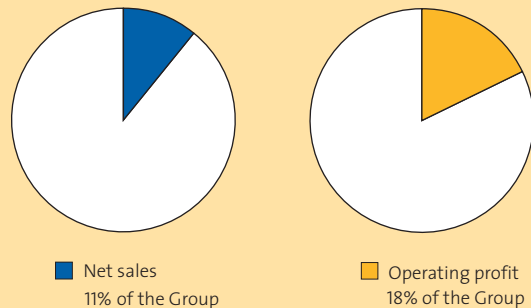
Publishing

- WSOY General Literature
- WSOYpro (business information)
- Weilin+Göös
 - Bertmark Media (Sweden, Norway, Denmark)

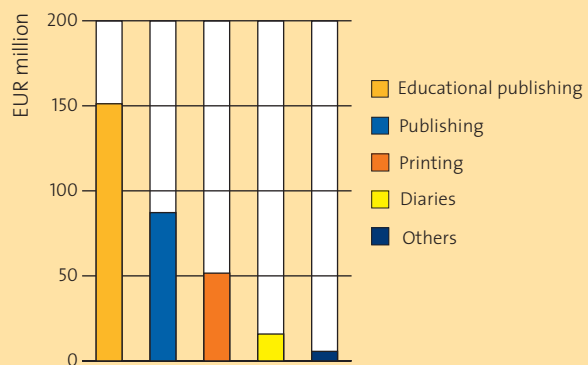
Printing

- WS Bookwell

WSOY NET SALES AND OPERATING PROFIT



NET SALES BY BUSINESS



KEY INDICATORS *

EUR million

	1-12/2005	1-12/2004
Net sales	294.4	253.9
Operating profit	55.8	29.1
% of net sales	19.0	11.5
Operating profit excluding major non-recurring capital gains	39.3	29.1
% of net sales	13.4	11.5
Return of investment, % (ROI)	15.1	15.2
Personnel under employment contract, average	2 311	2 188

* In 2004 Malmberg's figures were consolidated with WSOY retrospectively as of July 15 in the fourth quarter.

OPERATIONAL INDICATORS **

	1-12/2005	1-12/2004
Number of new titles published		
Books	784	740
Electronic products	105	132
Number of reprints published		
Books	920	957
Electronic products	168	209
Books printed, millions	20	20
Paper consumption, tonnes	15 898	16 482

** Units in Finland.

The internet-based Opit service for schools is a combination of an electronic learning environment and high-quality contents. The service has attracted new users in this highly competitive market and its use has almost tripled within a year.

Successful publishing programme implementation in the fields of both general literature and Weilin+Göös' non-fiction was Jorma Kaimio's great delight in 2005.

People's enthusiasm continued the exceptional Dan Brown publishing phenomenon that appeared in summer 2004. The Finnish translation of *The Da Vinci Code* sold over 70,000 copies during the year following its release, and *Angels and Demons* published in Finland in June exceeded 140,000 copies sold by the year end.

"Finnish fiction did not spawn any single Brown-like phenomenon although Ilkka Remes continued his triumphal march as an author whose books are some of the most widely read in Finland. Our books received around a third of all of the year's book awards and award nominations, which is an indication of our high-quality publishing operations. We were particularly delighted with the non-fiction Tieto-Finlandia Prize awarded to *Jatkosodan pikkujättiläinen* (encyclopedia of the Continuation War). In 2005, we published well over a hundred children's and juvenile books, which continued to boost our market share and sales," says Kaimio.

In 2006, WSOY is going to strengthen its position in Central Eastern Europe.

"We will be able to make use of our extensive know-how in this market area where countries are currently making heavy investments in developing their educational systems. Within the next three years, we aim to raise our educational publishing operations' share to around two-thirds of net sales," states Kaimio.

"It is necessary to make the most of the opportunities provided by digitalisation. This will be an indisputable challenge in the book and publishing business within the next few years."

The expansion of educational publishing operations ensures that the printing house WS Bookwell will not rest on its laurels. Kaimio stresses that the printing house will be exposed to ever-fiercer international competition.

A top-class list of Finnish literature is also in the offering. In 2005, some of WSOY's most renowned authors immersed themselves in their creative processes, and the resulting books will come onto the market in 2006.

"Where 2005 was marked by business divestments and integration, 2006 will be the year of expansion," sums up Kaimio. ■



Pekka Luoto

WSOY's rock-spirited campaign for schools

Autumn 2005 saw the introduction of a new upper secondary school curriculum in Finland. As a

result, school book market shares were reallocated in one go as almost all upper secondary schools simultaneously selected their educational materials in line with the new curriculum. Due to the excellent content of its educational publications, WSOY succeeded in maintaining its strong number one position in the market. The sales of WSOY's upper secondary school educational material improved by around one-fifth in 2005.

"The choice of educational materials made by schools will provide a framework for the reallocated market shares until the end of this decade, but we will also continue our active sales efforts in the years to come. In the next few years, we will see repeated sales growth in schoolbooks for those subjects involving several courses," estimates Pekka Luoto, Marketing Manager, WSOY Oppimateriaalit.

For the strategically important campaign, WSOY chose a novel and unconventional marketing strategy. The Lukio on Tour 05 roadshow toured throughout Finland gathering teachers from upper secondary schools in large rendezvous.

"It is common practice in the industry that educational materials are usually been marketed for teachers on product basis, subject-by-subject. While our competitors have focused on product marketing, we have built a consistent WSOY brand for upper secondary schools. Of course, products are at the core, but we were able to highlight their visibility through this consistent campaign," says Luoto, shedding light on the campaign bases. All of these teacher gatherings proved a great success.

All staff within the unit – authors, editors, and marketing teams playing a key role in the publishing process – demonstrated high dedication to the impressively marketed Lukio on Tour 05 campaign events. ■



▲ According to satisfaction survey, Welho subscribers are the most satisfied broadband customers in Finland. The Welho store within the Sanoma House serves up to 7,000 customers every month.

◀ Year after year, Nelonen's news camera operators have ranked among the top performers in the TV News Shooting Competition of the Year. Conveying Nelonen's news perspective by visual means is also important.

Nelonen's renovation reality TV show that won roaring success continues: November 2005 saw the beginning of shooting of *Unelmäkämpä II* (The Block II). ▼



▲ Thanks to its multi-year agreements with international studios, Nelonen screens the most interesting American movies and top series.

◀ Werne concluded an agreement for filming the Finnish National Ice Hockey Leagues' games during 2005–2008. The regular season games will be screened on Canal+ and the playoffs exclusively on Nelonen.

2ndhead skilfully combines graphic design with technological expertise, as evidenced by its concept and graphical design carried out for the websites of the City of Helsinki's various departments and agencies. ▶



Welho closed major deals for cable TV connections for apartment buildings with e.g. HOAS (Foundation for Student Housing in the Helsinki Region). The number of cable TV subscribers levelled off to a normal rate after record years. ▼



Making pictures come alive

Broadening the focus of SWelcom's business: a live picture in all its forms.

For SWelcom, an electronic media specialist, 2005 marked a year of growth although growth returned to its normal level after the previous year's jump. Net sales rose to EUR 122.5 million, of which operating profit accounted for 7.8%. During 2005, Nelonen reached a 99% distribution coverage and the number of the Welho broadband internet subscriptions rose by a third on a year earlier.

"2005 was significant for technological advancements in particular, experiencing the introduction of new technologies, applications, and equipment that changed our perception of how people will be reached and kept entertained in the future," sums up Tapio Kallioja, President of SWelcom.

"Commercial television and cable TV operations will remain at the core of our business, despite the fact that definitions will change on an ongoing basis. We can now incorporate a live picture in all its forms into our line of business, regardless of the distribution channel or end user equipment used."

Kallioja also stresses the importance of the content because creating new services can not be based only on terms dictated by technology. In 2005, SWelcom developed a number of services combining a live picture and an interesting content with interactivity, with Web TV and video-on-demand services, representative of good examples.

"Thanks to new technology, a larger array of options will become available and interactivity will increase. End user equipment, which the viewer can carry with them when needed, already enables flexible timeshifting and interactivity."

Nelonen reached a major milestone in 2005 when it met its target of the 30% share of Finnish TV advertising that it set itself at the outset. Amid challenging market conditions, this was an outstanding performance.

"From an advertiser's perspective, Nelonen has a relevant target audience, that is, change-oriented viewers who are early-adopters," explains Kallioja.

He points out that Nelonen has also been highly successful in its programmes. "While one programme group includes foreign quality films and TV series, such as *Desperate Housewives*, the other group consists of Finnish drama series, such as



"We provide people with electronic, entertaining experiences." Tapio Kallioja

SWelcom is engaged in the field of electronic media. Its TV channel Nelonen is Finland's third largest medium in terms of advertising sales, while Welho (formerly Helsinki Television, or HTV) is the largest cable television company and a major provider of broadband services in Finland. SWelcom also includes Werne, specialising in technical TV and audio-visual production services, and 2ndhead, a provider of digital content and media solutions.

Organisation

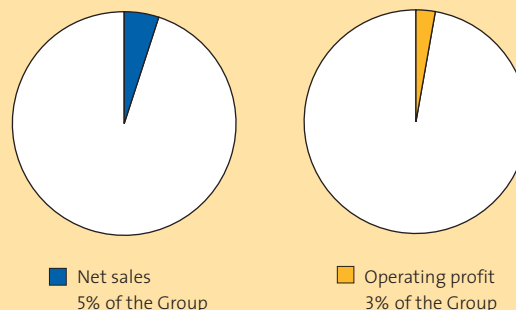
Television operations

- Nelonen (commercial TV channel)
- Welho (cable television and broadband internet)
- Werne (TV production services)

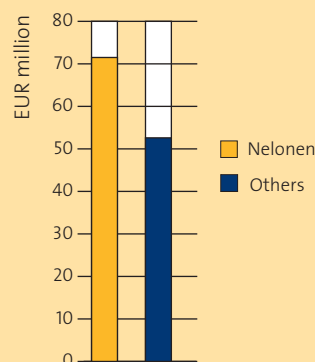
Digital content and communication services

- 2ndhead

SWELCOM NET SALES AND OPERATING PROFIT



NET SALES BY BUSINESS



KEY INDICATORS

EUR million

	1-12/2005	1-12/2004
Net sales	122.5	117.5
Operating profit	9.6	9.6
% of net sales	7.8	8.2
Operating profit excluding major non-recurring capital gains	9.6	9.6
% of net sales	7.8	8.2
Return on investment, % (ROI)	9.7	10.1
Personnel under employment contract, average	425	415

OPERATIONAL INDICATORS

	1-12/2005	1-12/2004
Nelonen's share of Finnish TV advertising	31.0%	29.8%
Nelonen's daily coverage	41%	41%
Nelonen's commercial viewing share	23.8%	25.0%
Nelonen's national viewing share	11.5%	12.5%
Number of connected households, thousands (31.12)	293	280
Number of pay TV subscriptions, thousands (31.12)	44	32
Number of broadband internet connections, thousands (31.12)	67	52

Kylmäverisesti sinun. When it comes to sports, we concentrate on broadcasting a few top events.”

TV programmes also appear outside the screen. A Finnish version of *The Survivors*, screened in autumn 2005, grew into a real cross-media concept as a popular website was created for the programme, related products became available online, and a high-quality magazine was edited.

The broadband services' net sales and profitability were affected the fierce price competition in 2005. “But then again, while prices went down, volumes grew to record levels: the number of Welho broadband subscribers is now a third greater than a year ago, totalling more than 67,000. Due to the price falls, Welho's net sales remained practically at the previous year's levels.”

Kallioja reckons that the downward trend in broadband connection prices has already slowed while the number of subscriptions is likely to continue its vigorous growth. The next step involves competition on services and their development, as well as transmission speeds.

“The advent of online music stores has paved the way for people being used to paying for the media content, as evidenced by Welho's pay TV channel packages whose volume growth hit its fifteen year high. This augurs well for our business operations.”

In 2006, SWelcom will focus on the development of entertainment-on-demand services. Pooling the competencies of Welho, Nelonen, and 2ndhead will provide support for the existing development projects and opportunities to identify a completely new business. SWelcom's television operations – Nelonen, Welho, and Werne – were merged into a single company, SW Television Ltd, since early 2006. This will also contribute to running joint development projects.

“2006 will encompass developing our business to penetrate into new fields in electronic media. In addition to technical skills, we are experienced in content production for the general public, so we have a profound knowledge of customer perspectives and wishes,” states Kallioja.

He points out that the volumes of electronic media are continuously on the rise. “Although prices for many services will go down, the market as a whole will make rapid progress to the extent that financial growth can be expected.” ■



Hans Edin

On the same wavelength

In 2005, TV channel Nelonen continued its previous years' upward trend of improving its share of Finnish TV advertising, despite fierce competition and new entrants.

Within eight years, the channel has become Finland's third largest advertising medium and an extremely efficient marketing vehicle from an advertiser's perspective. It boasts a target audience into which the most TV advertising expenditure is channelled in Finland.

“Marketing communication has the highest potential of appealing to people who are open to change and new things,” says Hans Edin, TV channel Nelonen's Senior Vice President, Sales and Marketing.

Accordingly, Nelonen has an up-to-date, excellent product and a highly skilled and motivated sales team with the best operating practices in the industry, according to a number of surveys. Its sales force closely monitors stakeholder groups' opinions and feedback with the aim of having an in-depth knowledge of partners and customers. This enables Nelonen to customise the best possible marketing-communication solution for them.

“A good partnership is an outcome of long-term, systematic work,” says Edin.

Nelonen has used training as a tool to put consistent practices into action. Every year, the channel prepares a shared training programme for its sales personnel and creates a personal development path for each salesperson.

“Recently, we have placed particular emphasis on CRM development and leadership training. The resulting deliverables are directly reflected in the feedback our customers give to their Nelonen contact persons,” says Edin gratefully.

Edin reckons that Finnish TV advertising as a whole still has much growth potential. Nelonen has supplemented its sales portfolio with Music Television and Canal+ Sport; channels characterised by specific viewer profiles that provide advertisers with more options for targeting and impactful advertising. Nelonen is confident about the growth and plans to invest heavily in the marketing of the channel itself during 2006. ■



◀ Rautakirja's press distribution expanded to Russia when it acquired TK Pressexpo, a press distribution company in the Moscow region. The company holds around a 15% share in the modern press distribution market in its operating region.

Rautakirja acquired JHC Arena Holding and received a majority holding in its subsidiary D+J Arena Hamburg. Last year, the multipurpose arena in Hamburg held some 120 events ranging from concerts to ice hockey games. ▼



In 2005, Suomalainen Kirjakauppa opened several bookstores housed in shopping centres, in Tampere, in Helsinki, in Espoo, in Vantaa, and in Raisio. In Estonia, Apollo Raamatud opened two bookstores, one in Tallinn and one in Tartu. ▶



▲ The new Oiva cash register system for kiosk operations will be installed in all R-kiosk outlets in Finland during spring. The system enables the selling of new types of products and services via R-kiosks.



Rautakirja acquired Lietuvos Spauda, Latvia's leading nationwide kiosk chain with 540 outlets. ▶



◀ Finnkino continued its expansion by launching a number of multiplex movie theatre projects in 2005. In Oulu, the foundation stone was laid in September and construction of a movie theatre began in Lahti in November.

Established by publishing houses, Rautakirja celebrated its 95th anniversary on 10.9.2005. It has grown into a multi-expert in speciality retailing that develops the best distribution channels within SanomaWSOY. ▶



Experiences and little extras for everyday life

Consumers in an increasing number of European countries are becoming familiar with the Rautakirja services. Russia joined these countries in 2005.

Rautakirja continued to go international and strengthened its position in new countries in 2005. Despite the very challenging market situation, Rautakirja's operations went as planned, posting net sales of EUR 635.9 million, of which operating profit accounted for 8.0%.

"The Finnish trade sector as a whole showed somewhat more subdued development than we expected. The December 2004 divestment of our non-core restaurant operations caused a fall in our net sales for 2005. However, net sales adjusted for changes in the group structure remained at the previous year's levels. Furthermore, our profitability is still at the top level within the retail sector," sums up Erkki Järvinen, President and CEO of Rautakirja.

New services introduced by the R-kiosk chain serve as an example of innovative development: products ordered via mail or internet, as well as tickets booked via Lippupalvelu, a ticket agency, can now be collected from R-kiosks.

"A new cash register system, Oiva, enabled the launch of these services. It will be installed in all our kiosk outlets in Finland and fully operational in spring 2006," Järvinen confirms.

2005 ultimately proved that the strategy of a versatile product concept chosen at the turn of the millennium was the right one.

"The core idea of all our kiosk operations is to offer not only basic products and services but also impulse products. It is necessary to continuously offer new, attractive trend products that bring pleasure," Järvinen points out.

Almost one-fifth of Rautakirja's net sales come from outside Finland. In May, as a result of the acquisition of Lietuvos Spauda, the market leading kiosk chain in Lithuania, Rautakirja became the market leader in kiosk operations in all the three Baltic countries. In addition to kiosk operations, the press distribution business continued its strong international expansion.

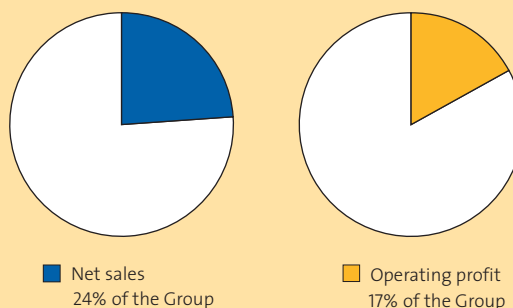
"One of the year's key events included the acquisition in June of TK Presseexpo, a press distribution company in the Moscow region. In this way, our press distribution established



"We offer our customers experiential products and services." Erkki Järvinen

Rautakirja is the market leader in kiosk operations, press distribution, and movie theatres in Finland and the Baltic countries. It also leads the Finnish market for bookstores. Its press distribution business has expanded to the Russian and Romanian markets and its bookstore operations to the Estonian market.

RAUTAKIRJA NET SALES AND OPERATING PROFIT



ORGANISATION

Kiosk operations

- R-kioski
- Veikkausrasti
- Pizza Hut
- R Kiosk Eesti (Estonia)
- Narvesen Baltija (Latvia)
- Lietuvos Spauda (Lithuania)

Press distribution

- Lehtipiste
- Lehepunkt (Estonia)
- Preses Serviss (Latvia)
- Impress Teva (Lithuania)
- Hiparion Distribution (Romania)
- TK Presseexpo (Russia)

Bookstores

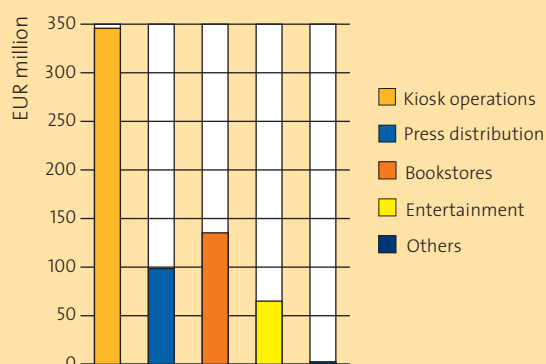
- Suomalainen Kirjakauppa
 - Yliopistokirjakauppa
 - Lukiolaisten kirjakauppa
 - Reader's
 - Apollo Raamatud (Estonia)

Entertainment

- Finnkino (movie theatres)
 - MPDE (Estonia)
 - Baltic Cinema (Latvia)
 - Vingio kino teatras (Lithuania)
 - V & K Holding (Estonia, Latvia, Lithuania)

- JHC Arena Holding
 - D+J Arena Hamburg (Germany)
(multipurpose arena)

NET SALES BY BUSINESS



KEY INDICATORS

EUR million	1-12/2005	1-12/2004
Net sales	635.9	659.7
Operating profit	51.2	47.2
% of net sales	8.0	7.1
Operating profit excluding major non-recurring capital gains	42.3	46.2
% of net sales	6.6	7.0
Return of investment, % (ROI)	20.9	19.1
Personnel under employment contract, average	6 023	6 261

OPERATIONAL INDICATORS

	1-12/2005	1-12/2004
Customer volume in kiosk operations, thousands *	110 492	115 919
Customer volume in bookstore operations, thousands *	6 400	6 239
Customer volume in movie theatres, thousands	6 195	6 634
Numbers of copies sold (press distribution), thousands	244 377	172 483

* Units in Finland.

a firm foothold in Russia," Järvinen states.

"Our operations grew and developed strongly, particularly in the Baltic countries, and developed in the right direction in Romania too. We have discovered that our press distribution concept works in various market environments. Our next step is to expand it efficiently in Russia."

For films 2005 was a year of contrast: although the supply of both international and domestic films remained quite modest for most of the year, it improved in the late autumn, ensuring that customers returned to movie theatres. The fourth quarter was Finnkinon's all-time best.

Rautakirja holds a firm belief in the power of film and the collective viewing experience. It is currently building the first multiplex movie theatre in Oulu, northern Finland.

"In addition to Oulu, we are making arrangements for building a similar complex in Lahti. An agreement for a multiplex movie theatre in the Jumbo shopping centre in Vantaa represents a novel move towards introducing a successful worldwide concept to Finland," Järvinen explains.

Shopping centres have also begun to attract bookstores to their premises. Suomalainen Kirjakauppa opened stores in the Jumbo, Sello, and Kamppi shopping centres in the Helsinki metropolitan area, and the Mylly shopping centre in Raisio. "People prefer to shop under one roof," Järvinen explains.

"We lead the market in many areas and in several countries, and we operate very close to consumers, as evidenced by our over half a million daily customer contacts. In the years to come, we must better anticipate consumer behaviour, and the changes in it, in an effort to meet the challenge of giving customers a pleasant surprise through new services – offering experiences and little extras to people's everyday life."

In 2006, sources of growth will lie in corporate acquisitions, which Rautakirja remains ready to do.

"International operations will continue to consistently increase their share of our net sales," Järvinen remarks.

"The restructuring of operations and the divestment of our Czech joint venture, both carried out in 2005, simplified our efforts in our way to go international. Our press distribution, kiosk, and movie theatre concepts have a lot to offer to customers in the dynamic Russian and Central Eastern European markets." ■



Pirjo Purovesi

Being a loyal customer pays off

How can a customer-loyalty programme attract 170,000 members within one year? "Such a fantastic figure

is attainable provided that there is a market, a sought-after product, and store personnel active in their selling efforts," says Pirjo Purovesi, Marketing Director of Suomalainen Kirjakauppa.

Rautakirja's bookstore chain Suomalainen Kirjakauppa launched its customer-loyalty programme in early 2005 by inviting customers making advance orders during seasonal sales to join the programme. Marketing was done within the Suomalainen Kirjakauppa bookstores. The word spread rapidly, and the number of loyal customers joining the programme within a year was almost four times greater than Suomalainen Kirjakauppa had anticipated.

"Our aim is to make active book shoppers our loyal customers. A total of 14% of Finns buy half of all general literature sold in Finland. This is exactly the segment that we seek to reach effectively," explains Purovesi. Another target group comprises students, who buy textbooks on a regular basis and who are expected to become future active readers of general literature.

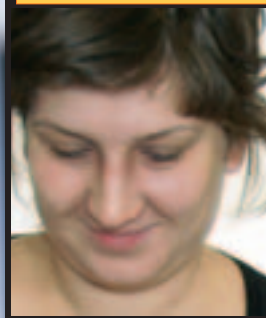
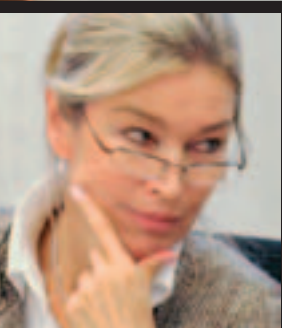
Books have their passionate lovers, and the time was opportune for a customer-loyalty programme: customers looked forward to.

"People feel proud of being loyal customers of a bookstore," Purovesi says. Many customers prefer invitations to special in-store events, customer evenings, and self-funded reader trips to discount prices.

"There has been no need to increase our marketing spending; we have only allocated it in a new way. This makes sense given that loyal customers are an important and profitable customer group," Purovesi explains.

Suomalainen Kirjakauppa expects to have 200,000 customers within its customer-loyalty programme by the end of 2006. However, the aim of attracting exactly the targeted customers, active readers, prevails over the target set for the total number of customers joining the programme.

Suomalainen Kirjakauppa's experience is being utilised by the Rautakirja Concept Academy, which is currently examining what the other units could learn from Suomalainen Kirjakauppa's success. ■



Responsible corporate citizenship enhances well-being

As a media group, SanomaWSOY holds an important position in fostering freedom of expression and creativity.

A responsible attitude towards society, in terms of economic, environmental, and HR issues, forms an integral part of the Group's operating principles.

For a long time, SanomaWSOY has actively served the public good and contributed to people's well-being and prosperity.

Democracy requires communications

Free and high-quality communications as well as top-quality education form the prerequisites for a democratic society. A well-performing society is also characterised by a rich and versatile culture.

Freedom of expression, editorial independence, and respect for national languages and cultures form SanomaWSOY's publishing principles. Given that reading and literacy provide the basis for the standard of education and development, SanomaWSOY plays a responsible and vital role as a leading media company in its operating countries. The media also plays an important role in the daily lives of individual people and their personal affairs: it provides information and solutions for problems, as well as inspiration for personal growth and development.

In autumn 2005, Finland celebrated one of the anniversaries related to freedom of expression: the 100th anniversary of the abolition of preventive censorship, which was one of the achievements of the general strike in 1905.

Nowadays, every Finnish citizen has the right to freedom of expression under the Constitution of Finland. Nevertheless, nurturing this freedom requires ongoing public debate. Democracy without freedom of expression remains incomplete and the functioning of a market economy without freedom of commercial expression is imperfect.

Reporters Without Borders (RWB) is an impartial, non-governmental organisation campaigning worldwide for freedom of the press and advocating reporters' protection against censorship and harassment. The organisation compiles and publishes an annual ranking of most countries based on press freedom. Of SanomaWSOY's operating countries, the Netherlands and Finland, for example, have ranked among top countries in this assessment, being placed among the seven top countries in 2005 with the best freedom of the press.



Find your own story

“SanomaWSOY maintains the culture and language of a small language group in a variety of ways. This is also supported by SanomaWSOY’s media education.

While instructing children and youngsters in media literacy, we shed light on how stories are created and explain the importance of journalists’ ethics guidelines. By telling them about the background of choosing news worth reporting, the use of pictures, headlining, and layout, we enhance their knowledge of editorial work and increase their interest and trust in newspapers.

Helsingin Sanomat participates in the Newspaper Week organised annually by the Finnish Newspapers Association. In 2005, Helsingin Sanomat supplied Finnish schools with some 300,000 complimentary copies during the week. A special section entitled ‘Find Your Own Story’, featuring stories specifically targeted at schoolchildren.

During the Newspaper Week 2005, 100 exercises were published on Helsingin Sanomat’s website. These exercises help us achieve a number of our goals; such as encouraging students to read newspapers, learn things by reading newspapers, and learn about journalism. At the same time, we provide teachers with support for their media literacy education.”

Marja-Riika Saaristo, News Editor, Helsingin Sanomat



A book publisher looks forward

“What does research and development mean in publishing? It is about discovering talent, identifying a new, authentic figure, and committing oneself on a long-term basis. It also means publishing at the time when the figure is not supported by the entire literary community.

A book publisher must not only cater for the current needs of its audience but also look forward: what is new is always unfamiliar and untimely. And it is exactly this ‘new thing’ that may prove the most sustainable and important in the eyes of future generations.

Publishing poetry gauges the publisher’s willingness and ability to look forward beyond the next quarter. WSOY published 15 new collections of poems in 2005. Two of the poets, Aila Meriluoto and Sirkka Selja, made their debut in the 1940s, and one of the collections is a first work. Although the number of readers of modern poetry is not that high, they know that poetry is the source of language and literary innovations.

A publisher is also responsible for the availability of classics. Shakespeare’s productions translated into Finnish by Paavo Cajander between 1879 and 1912 was a remarkable achievement. This astonishing monument will always hold pride of place in the Finnish history of literature, but for the last fifty years there have been complaints about the lack of an up-to-date Finnish translation of this all-time-greatest author’s dramatic works. WSOY has got down to work on accomplishing a Shakespeare translation into contemporary Finnish, with the first eight dramas now published as new, inspired Finnish translations. This project will go on, and perhaps after seven years we will be celebrating its completion.”

Touko Siltala, Literary Director, WSOY



Information as a weapon against cancer

“One in nine Dutch women develops breast cancer during their lifetime. Early diagnosis would help most patients and, in this respect, receiving adequate information is essential.

Sanoma Uitgevers is the leading magazine publisher in the Netherlands, with women as its magazines’ main target group. The majority of our employees are also women. We believe that magazines enable us to increase knowledge of breast cancer. Encouraged by this belief, we created Pink Ribbon, a charity glossy.

The magazine’s first issue came out in 2004, attracting a lot of favourable public attention. The magazine brought in over EUR 500,000 in advertising and sales revenues, and we donated this amount in full to the Dutch Pink Ribbon organisation. In the 2005 issue themed ‘100 women, 100 stories’, women described their lives, hopes, and dreams – and breast cancer.

We hope that the Pink Ribbon magazine provides its readers with information and encourages them to speak about their cancer. We also believe that the information and stories in the magazine encourage women to go to a doctor for as early diagnosis as possible.”

Me Naiset women’s magazine published by Sanoma Magazines Finland is also waging a visible campaign in support of breast cancer patients.

Ard Siekerman, Editor-in-Chief, Pink Ribbon



Growth and internationalisation – Challenges to personnel

SanomaWSOY is a European media company offering challenging and interesting tasks to almost 17,000 media professionals in over 20 countries.

The SanomaWSOY Group's position in the European media market presents challenges to its organisational dynamism and its personnel's ability to learn new things. As an employer, the Group appreciates professional skills and supports its employees' skill upgrades by means of various training and competence development projects.

In order to guarantee its success in the future, SanomaWSOY must have a thorough knowledge of the national culture of its operating countries, and conduct a successful HR policy.

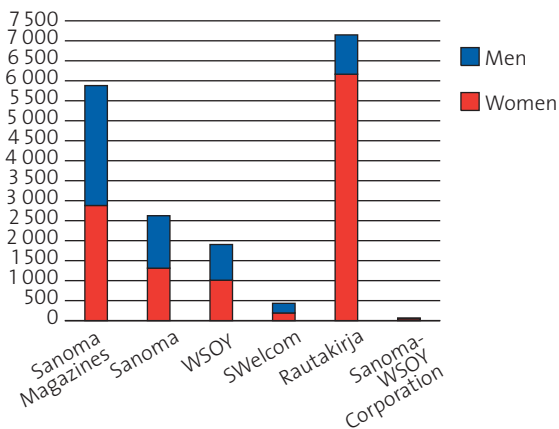
Group-wide development programmes have been continuously reshaped to support SanomaWSOY's strategy implementation. The Group's successful performance depends on the personnel's willingness to upgrade their competencies and listen to customers, as well

as on skills in further developing existing products and services, and creating new ones.

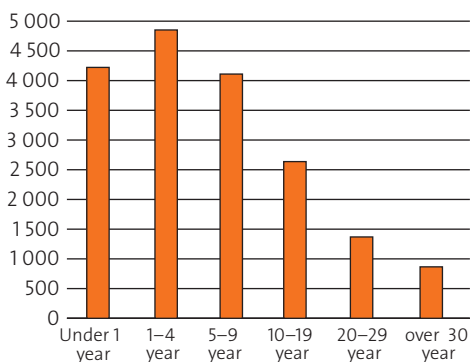
The SanomaWSOY Executive Programme (SWEP), aimed at developing top management's strategic thinking and management practices, will continue in spring 2006 with revised contents. A new management training programme for future executives and experts involved in international duties (JUMP) will begin in 2006. Almost 250 Group employees in managerial and expert positions have already completed the SanomaWSOY JET Training Programme.

In addition to these broader-based training programmes, SanomaWSOY provides shorter training programmes and topical workshops. The Group's Media Trainee Programme provides trainees with a broad knowledge and thorough understanding of the media business. Group divisions independently provide a variety of vocational training and development programmes.

PERSONNEL BY DIVISION
DECEMBER 31, 2005



WORK EXPERIENCE AT SANOMAWSOY



The role of the appraisal of motivating incentive systems and employee performance has increased due to the Group's growth and internationalisation, with particular attention being paid to the efficient assessment of employee performance based on standardised indicators. In the main, Group employees are involved in incentive schemes.

In 2005, SanomaWSOY further developed its HR management system that helps collect consistent information on focal areas in human resources management: organisation's competences, development needs, and successor plans. This consistent model also mapped out the development needs and change readiness of the divisions' and business units' management group members, as well as remuneration and incentive systems. In addition, the Group performed management job evaluation for around 250 Group top executives.

Successor plans and career rotation increase the know-how of personnel and prepare SanomaWSOY for labour-market changes due to the population ageing. In 2005, company analysed the employee age structure within the Group and identified units with the highest rate of retirements within the next few years.

The Group makes use of successor plans in order to ensure that experienced staff pass their tacit knowledge on to junior professionals. Successor and career plans can also be used to support the appropriate placement of employees within the Group and provide adequate career opportunities. Moreover, the Group's in-house job market provides employees with a variety of career and competence development opportunities.

SanomaWSOY provides its employees with equal career opportunities, irrespective of their age, gender, or other personal factors. The Group's equality principles were written into the SanomaWSOY equal opportunities policy approved by the Management Group in summer 2005. These guidelines define workplace-level principles and information used to monitor the Group-wide implementation of the equal opportunities policy.

PERSONNEL BY COUNTRY

DECEMBER 31, 2005

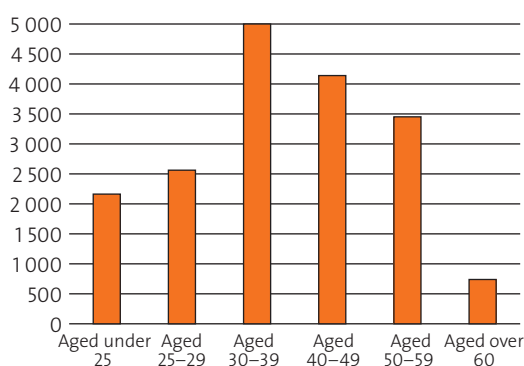
Finland	8 789
The Netherlands	2 593
Lithuania	1 314
Russia and	
The Ukraine	1 219
Estonia	985
Belgium	612
Latvia	585
Hungary	570
Romania	291
Poland	290
The Czech Republic	221
Sweden	134
Croatia	93
Bulgaria	91
Norway	62
Slovakia	56
Great Britain	55
Serbia and	
Montenegro	28
Germany	27
Malaysia	20
France	13
Denmark	8

PERSONNEL

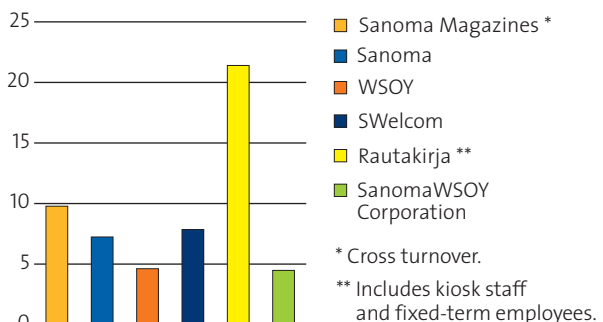
	2005	2004	2003	2002	2001
Personnel under employment contract, average	16 885	16 209	17 330	18 657	15 129
Personnel average (full-time equivalents)	14 256	13 651	14 207	15 210	12 077
Net sales per employee, EUR 1 000 *	183.9	183.5	171.3	155.0	143.6

* Calculated from the figure for personnel in average, full-time equivalents.

PERSONNEL BY AGE



PERSONNEL TURNOVER, %



SanomaWSOY Award – encouraging innovative thinking

“SanomaWSOY’s Board of Directors will annually present the SanomaWSOY Award to three Group employees or teams for their major improvements in Group’s operating practices. The first awards were presented in spring 2005.

Following our scrutiny of 59 applications, we awarded a price to Helsingin Sanomat’s Antti Manninen for his *Puretut talot* book (Demolished Houses), Willem-Albert Bol and Norbet Mirani for their development of Sanoma Men’s Magazines’ knowledge centre, and Pirjo Hämäläinen, Maarit Koivunen, and Merja Sillander for their implementation of a staff development process in Suomalainen Kirjakauppa.

In its selection criteria, the jury highlighted project creativity. We also paid attention to whether projects can serve as a model and how they can be reproduced, as well as to their Group-wide synergies and long-term effects on business operations. The jury expressed special thanks to SanomaWSOY employees for their innovative applications.”

Jaakko Rauramo, Chairman of the Board, SanomaWSOY



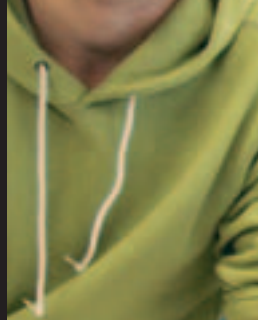
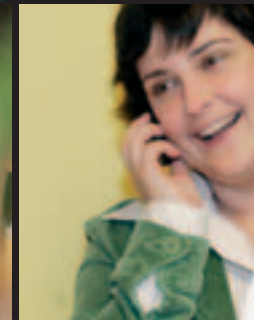
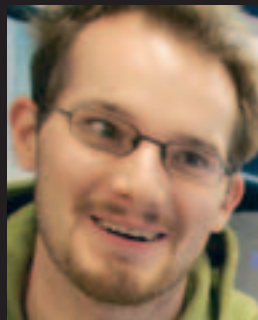
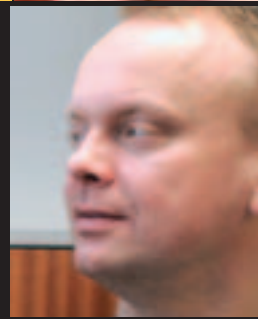
Learning for business

“The SanomaWSOY JET Training Programme provides its participants with a holistic view of strategic planning and strategy implementation within their organisations. I think that analysing my own unit’s business from various perspectives formed the greatest benefit from the course, helping me understand our business better and my personal job description on a broader basis.

Furthermore, another benefit related to the extensive intra-Group contact network created during the course.

As part of the course, all participants prepare a business plan related to their own work. My business plan included analysing the status of customer-loyalty programmes in the book business. Forming part of Suomalainen Kirjakauppa’s customer-loyalty programme planning, my business plan focused on a store’s perspective.”

*Ari Pellilä, Product Manager,
Suomalainen Kirjakauppa*





Pro-environmental approach is a company asset

SanomaWSOY's operations are mainly based on work performed within office premises, causing no major environmental hazards. Typical of the graphical industry, the Group's environmental load is at a low level.

Pro-environmental materials used in printing as well as efficient transport and recycling form the key environmental issues from the SanomaWSOY Group's perspective. When developing its production processes, the Group pays constant attention to finding environmentally sound, sustainable solutions, given that high-quality and disturbance-free processes with a low environmental impact are also the most profitable and efficient ones.

It is the Group's environmental principle to sort waste on the spot, recycle waste efficiently, and dispose of remaining waste in a safe and appropriate manner.

In 2005, the number of SanomaWSOY's printing plants decreased from 12 to 7, as WSOY divested the Ajasto diary group and Lönnberg Painot, a printing house specialising in high-quality materials. Sanomapaino operates printing plants in Vantaa, Forssa, Varkaus, Kouvola, and Lappeenranta. In order to reduce transport distances, Ilta-Sanommat is partly printed in Oulu. WS Bookwell has its printing plants in Porvoo and Juva.

SANOMAWSOY'S CONSUMPTION OF ELECTRICAL ENERGY IN FINLAND *

	2005**	2004	2003	2002	2001
Consumption of electrical energy, MWh	113 232	127 879	131 054	132 335	121 132

* Consumption sites changed to some extent from 2001 to 2005.

** The decrease in the use of electricity is partly affected by the divestments in 2005.

From computer to printing plate



“Along with advancements in printing technology and the widespread use of computers, most printing material arrives in electronic format, which has made it possible to abandon the previous intermediate step of recording the material to film. These days, the material is printed directly to printing plates made of aluminium, using the computer-to-plate technique.

This method has reduced printing waste and the printing-related environmental load because there is no longer need to use film and development chemicals. Moreover, this ‘short cut’ is also reflected in savings in energy and material costs while simplifying the process.

Following their use, the aluminium printing plates are sent offsite for recycling. They are melted into aluminium ingots that are re-used to manufacture new printing plates and drink cans, for example.”

Pertti Nyberg, Environmental Ombudsman, WS Bookwell

Efficiency and recycling – core issues for press distribution

“Aldipress distributes magazines and newspapers to roughly 9,000 points-of-sale throughout the Netherlands; these delivery rounds are managed at a practical level by its partner, DistriQ. In addition to skilled and efficient operations, Aldipress pays attention to its partner’s responsible environmental performance.

Delivery routes and vehicle types must be planned cost-efficiently and with detail, in order to avoid excess mileage and emissions.

Any unsold copies are collected daily from all points-of-sale during the delivery round and are delivered via the dispatch department to waste paper collection firms for re-use, or back to the publisher for other use.”

Tallina de Boer, Publishers Accounts Manager, Aldipress



Cold and hot

“All of Sanomapaino’s printing plants use the cold-set-offset printing technique in which air-borne emissions are chiefly caused by detergents used when cleaning the printing machines. Some hydrocarbons of the wash liquids evaporate into the air, some are absorbed in wash clothes, and the rest is recovered. The recovered liquid can be re-used for industrial processes.

Of Sanoma’s printing plants, only the Sanomala plant in Vantaa is able to print heatset products. For this purpose, the printing machine features one ink dryer as the heat-set ink only adheres to the printing paper by drying the solvent that the ink contains. For the moment, heat-set printing is used relatively little; mostly in printing newspaper supplements.

Solvents are used to adjust the viscosity and drying speed of printing inks. Cold-set-offset ink adheres to the paper’s surface to form an accurate print, without being absorbed too deeply into the paper, whereas an ink dryer is used to dry heat-set-offset ink. Solvents released from the ink during the drying process are incinerated in an afterburner. Emission measurements have shown that the afterburner removes hydrocarbons efficiently.”

Hannu Saarnilehto, Vice President, Technology, Sanomapaino



SANOMAWSOY’S PAPER USAGE IN FINLAND *

Paper usage, tonnes	2005	2004	2003	2002
Newsprint	99 000	99 000	99 500	97 000
Magazine paper	122 000	103 000	102 000	94 000
Fine and book paper and board	18 500	19 700	17 000	17 500
Bookbinding board	1 000	1 100	1 000	1 000
Total	240 500	222 800	219 500	209 500

* Includes both the paper used in the Group’s own printing plants and the paper acquired for products printed elsewhere.

Jaakko Rauramo

born 1941, M.Sc. (Tech.), D.Sc. (Tech.) h.c. (Helsinki University of Technology)

Chairman of the Board of SanomaWSOY, Chairman and CEO 2001–2005, and a member since 1999. Term ends in 2006.

President and CEO of SanomaWSOY 1999–2001. Served as President of Sanoma Corporation between 1984 and the creation of SanomaWSOY in 1999. Joined Sanoma Corporation in 1966, elected to the Board in 1979. Served as General Manager at Sanomaprint, General Manager of the Newspaper Division, and as Sanoma Corporation's Executive Vice President.

Board memberships, companies:

Metso Corporation, Finland (Vice Chairman)



The Compensation Committee consists of Sari Baldauf (Chairman), Paavo Hohti (Vice Chairman), Jane Erkkö, and Seppo Kievari.

Sari Baldauf

born 1955, M.Sc. (Business Administration), D.Sc. (Tech.) h.c. (Helsinki University of Technology),

Doctor h.c. (Econ. & Bus. Adm.) (Turku School of Economics and Business Administration)

Vice Chairman of the Board of SanomaWSOY since 2005 and a member since 2003. Term ends in 2006.

Served as Executive Vice President and General Manager of Networks, Nokia Corporation 1998–2005 and a member of the Nokia Group Executive Board 1994–2005. Previously served as Executive Vice President of Nokia APAC and prior to that, as President of Nokia Telecommunications, Cellular Systems.

Board memberships, companies:

F-Secure Corporation (Finland), Savonlinna Opera Festival Ltd (Finland) (Chairman)

Robert Castrén

born 1957, B.Sc. (Econ.)

Member of the Board of SanomaWSOY since 2001. Term ends in 2008.

Serves as Sales and Marketing Director at UPM-Kymmene Corporation. Held various marketing positions with UPM-Kymmene Corporation and its predecessor, Kymmene Oy, since 1991. Prior to that, he worked for Finnapp and Lamco Paper Sales, among others. Served at Sanoma Corporation's Board as a member 1994–1999 and as Vice Chairman 1999–2002.

Jane Erkkö

born 1936

Member of the Board of SanomaWSOY since 1999. Term ends in 2008.

Served on the Board of Sanoma Corporation 1990–1999 and served as Vice Chairman of Helsinki Media Company Oy 1995–1999.

Board memberships, companies:

Oy Asipex Ab (Finland)

Paavo Hohti

born 1944, Ph.D., Professor

Member of the Board of SanomaWSOY since 1999. Term ends in 2008.

Managing Director of the Council of Finnish Foundations since 2004. Served the Finnish Cultural Foundation 1980–2004. Previously served as Vice Chairman of WSOY's Supervisory Board 1994–1999 and as member 1991–1994.

Board memberships, companies:

Huhtamäki Corporation (Finland) (Vice Chairman)

Sirkka Hämäläinen-Lindfors

born 1939, D.Sc. (Econ.)

Member of the Board of SanomaWSOY since 2004. Term ends in 2007.

Served for instance as a member of the Executive Board of the European Central Bank, Governor and Chairman of the Board of the Bank of Finland.

Board memberships, companies:

Helsinki School of Economics and Business Administration Holding Ltd (Finland), Investor AB (Sweden), Kone Corporation (Finland) (Vice Chairman)



Seppo Kievari

born 1943

Member of the Board of SanomaWSOY since 2003. Term ends in 2007.

Served Sanoma Corporation 1966–2004 for instance as Senior Editor-in-Chief of Helsingin Sanomat, Executive Vice President of Sanoma Corporation, Publisher of Sanoma's newspapers, and President of Sanoma Corporation.

Board memberships, companies:
Hämeen Sanomat Oy (Finland)

Robin Langenskiöld

born 1946, B.Sc. (Econ.)

Member of the Board of SanomaWSOY since 1999. Term ends in 2008.

Served as a member of Sanoma Corporation's Board of Directors 1990–1999 and that of Helsinki Media Company Oy 1995–1999.

Board memberships, companies:
Pencentra Oy (Finland)

Hannu Syrjänen

born 1951, B.Sc. (Econ.), Master of Laws

President and CEO of SanomaWSOY, President and COO 2001–2005. Member of the Board of SanomaWSOY since 2001. Term ends in 2007.

Served Rautakirja Corporation 1989–2001 as President and CEO, Vice President, and Executive Vice President and Deputy CEO. Previously served as Vice President at the TS Group, Vice President at Wihuri Oy and Managing Director of Finnish Lawyers' Publishing Oy.

Board memberships, companies:
Ilmarinen Mutual Pension Insurance Company (Finland) (Chairman)

The Audit Committee consists of Sakari Tamminen (Chairman), Robin Langenskiöld, Robert Castrén (Vice Chairman), and Sirkka Hämäläinen-Lindfors.

Sakari Tamminen

born 1953, M.Sc. (Econ.)

Member of the Board of SanomaWSOY since 2003. Term ends in 2006.

President of Rautaruukki Corporation since 2003. Served Metso Corporation 1999–2003 as Senior Vice President and CFO and as Executive Vice President and CFO and Deputy to the President and CEO. Previously served as Executive Vice President & CFO and Senior Vice President and Chief Financial and Accounting Officer of Rauma Oy, as Vice President, Finance of Rauma-Repola Oy's Engineering Industry, and as Financial Manager of Metal Industry division of Oy W. Rosenlew Ab.

Board memberships, companies:

The Finnish Fair Corporation (Finland) (Supervisory Board), Lemminkäinen Corporation (Finland), Varma Mutual Pension Insurance Company (Finland) (Vice Chairman of the Supervisory Board)

A complete list of all board memberships of SanomaWSOY's Board members can be found on the Group's website at www.sanomawsoy.fi.

The share ownership information as well as stock options can be found on the Notes to the financial statements 31 and on the Group's website at www.sanomawsoy.fi.

The Executive Committee consists of Sari Baldauf (Vice Chairman), Jaakko Rauramo (Chairman), and Hannu Syrjänen.



Hannu Syrjänen

*President and CEO,
SanomaWSOY Corporation
born 1951, B.Sc. (Econ.),
Master of Laws
Member of the Management Group
of SanomaWSOY since 1999, Chair-
man since 2001.*

Served Rautakirja Corporation 1989–2001 as President & CEO, Vice President, and Executive Vice President & Deputy CEO. Previously served as Vice President at the TS Group, Vice President at Wihuri Oy, and Managing Director of Finnish Lawyers' Publishing Oy.

Board memberships, companies:
Ilmarinen Mutual Pension Insurance Company (Finland) (Chairman)

Eija Ailasmaa

*President and CEO,
Sanoma Magazines B.V.
born 1950, M.Pol.Sc.
Member of the Management Group
of SanomaWSOY since 2000.*

Served as President of Sanoma Magazines Finland Oy and Helsinki Media Oy 2000–2002, as Executive Vice President and General Manager, Magazines at Helsinki Media Company Oy 1998–2000. Previously served as Vice President, Publishing at Sanoma Corporation's Sanomaprint and Helsinki Media Company Oy, as Editor-in-Chief of the family magazine Kodin Kuvalehti, and in various editorial positions at Ilta-Sanomat.

Board memberships, companies:
Hansaprint Oy (Finland) (Vice Chairman), Huhtamäki Corporation (Finland)



In the picture Jorma Kaimio, Tapio Kallioja, Nils Ittonen, Matti Salmi, Eija Ailasmaa, Hannu Syrjänen, Mikael Pentikäinen, Kerstin Rinne, Erkki Järvinen, and Merja Karhapää (Secretary to the Management Group).

Nils Ittonen

*Senior Vice President, Group Treasury
and Real Estate, SanomaWSOY
Corporation
born 1954, B.Sc. (Econ.)
Member of the Management Group
of SanomaWSOY since 1999.*

Joined Sanoma Corporation in 1977. Served in various positions, including as Vice President, Asset Management at Sanoma Corporation and as CFO of Sanoma Inc. (USA), and Crafton Graphic Co (USA).

Board memberships, companies:
Oy Asipex Ab (Finland)

Erkki Järvinen

*President and CEO,
Rautakirja Corporation
born 1960, M.Sc. (Econ.)
Member of the Management Group
of SanomaWSOY since 2001.*

Served Rautakirja Corporation as Senior Vice President, Kiosk Operations since 1997 and as President since 2001. Previously served Cultor Group as Marketing Manager and Head of Marketing at Vaasamills Ltd and as Managing Director of Siljans Knäcke AB in Sweden, and as Product and Marketing Manager for Oy Karl Fazer Ab's Fazer Bakeries.

A complete list of all board memberships, including Group companies, foundations, and associations, of SanomaWSOY's Management Group members can be found on the Group's website at www.sanomawsoy.fi.

The share ownership information as well as stock options can be found on the Notes to the financial statements 31 and on the Group's website at www.sanomawsoy.fi.



Jorma Kaimio

*President,
Werner Söderström Corporation
born 1946, Ph.D., Docent in Classical
Philology at the Universities of
Helsinki and Turku
Member of the Management Group
of SanomaWSOY since 2000.*

Served as WSOY's Literary Director and Deputy President from 1991 and as President from 2000. Served as Managing Director of the Academic Bookstore, and as Research Fellow and Lecturer at the University of Helsinki, and as Secretary of the Finnish Matriculation Examination Board.

Board memberships, companies:
Helsingin yliopiston Holding Oy (Finland), Licentia Ltd (Finland) (Chairman)

Tapio Kallioja

*President, SWelcom Oy
born 1948, M.Sc. (Tech.)
Member of the Management Group
of SanomaWSOY since 1999.*

Joined Sanoma Corporation in 1984. Served as Vice President of Eurocable Group and New Media Group and President of Helsinki Telset Oy, Helsinki Television Ltd., and Helsinki Media Company Oy.

Board memberships, companies:
SSH Communications Security Corp. (Finland)

Mikael Pentikäinen

*President, Sanoma Corporation
born 1964, M.Sc. (Agriculture and
Forestry)
Member of the Management Group of
SanomaWSOY since 2004.*

Served The Finnish News Agency as

Editor-in-Chief and President 1999–2004. Previously served as Editor-in-Chief of Etelä-Saimaa 1996–1999 and as Editor in political news of Helsingin Sanomat 1992–1996.

Board memberships, companies:
The Finnish News Agency (Finland) (Vice Chairman)

Kerstin Rinne

*Senior Vice President, Group Strategic
Planning and Legal Affairs,
SanomaWSOY Corporation
born 1950, LL.B., Master of Laws
(trained on the bench)
Member of the Management Group
of SanomaWSOY since 1999.*

Joined Sanoma Corporation in 1980. Served as Vice President, Legal Affairs 1984–1999. In addition to Legal Affairs, Rinne has been responsible for e.g. corporate planning, information services, and administration at various points. Previously worked e.g. as Attorney for the law offices Silkkö & Ståhlberg, H. Hedman, and Rinne & Talikka.

Board memberships, companies:
The HYY Group (HYY Group Ltd, Kävöpiha Ltd, HYY Real Estate Division) (Finland)

Matti Salmi

*Senior Vice President, Group Finance
and Administration, SanomaWSOY
Corporation
born 1950, M.Sc. (Econ.)
Member of the Management Group
of SanomaWSOY since 2004.*

Served Rautakirja Corporation 1988–2004 as Senior Vice President, Corporate Finance and Administration. Previously served as Vice President, Finance at Suomen Tupakka Oy and as Controller at British American Tobacco Ltd.

Divisions' Management Groups

Sanoma Magazines

(Management Board)

Eija Ailasmaa (Chairman), born 1950
President & CEO, Sanoma Magazines

Koos Guis, born 1947
CEO, Sanoma Magazines International

Edo Meerloo, born 1948

CEO, Aldipress

Raili Mäkinen, born 1944

CEO, Sanoma Magazines Finland

Walter van der Schaaff, born 1958

CFO, Sanoma Magazines

Dirk Van den Bossche, born 1962

CEO, Sanoma Magazines Belgium

Christina von Wackerbarth, born 1955

(8.6.2005–17.1.2006)

CEO (acting), Sanoma Uitgevers

Pim de Wit, born 1952 (until June 8, 2005)

CEO, Sanoma Uitgevers

Sanoma

Mikael Pentikäinen (Chairman), born 1964

President, Sanoma

Veli-Pekka Elonen, born 1965

Vice President, Development and Legal Affairs, Sanoma

President, Sanoma Data

Pekka Harju, born 1962

President, Ilta-Sanomat

Antti Mäkelä, born 1952

President, Sanoma Lehtimedia and Sanomapaino

Juhani Pekkala, born 1955

President, Taloussanomat

Eija Rinta, born 1955

Vice President, Finance (CFO), Sanoma

Niko Ruokosuo, born 1961

President, Sanoma Kaupunkilehdet

Pekka Soini, born 1957

President, Helsingin Sanomat

WSOY

Jorma Kaimio (Chairman), born 1946

President, WSOY

Jyri Ahti, born 1962

Senior Vice President, Business Development, WSOY

Jacques Eijkens, born 1956

CEO, SanomaWSOY Education

Jaana Korpi, born 1958

Managing Director, Weilin+Göös

Mikko Laine, born 1966

Senior Vice President, WSOY Oppimateriaalit

Hannu Laukkanen, born 1957

Managing Director, WSOY Oppimateriaalit

Jorma Mikkonen, born 1949

Senior Vice President, Finance and

Corporate Services, WSOY

Pekka Pätynen, born 1951

Senior Vice President, WSOY Printing

(until March 31, 2006)

Tuomo Räsänen, born 1969

Senior Vice President, WSOYpro

Touko Siitola, born 1957

Literary Director, General Literature, WSOY

SWelcom

Tapio Kallioja (Chairman), born 1948

President, SWelcom

Pekka Jaakola, born 1947

Senior Vice President, Technology, SWelcom

Pirkko Jokinen, born 1952

President, 2ndhead

Juha-Pekka Louhelainen, born 1955

President/Nelonen, SW Television

Anu Nissinen, born 1963

President/Welho, SW Television

Marja-Leena Tuomola, born 1962

Senior Vice President, Administration, SWelcom

Rautakirja

Erkki Järvinen (Chairman), born 1960

President & CEO, Rautakirja

Hellevi Kekäläinen, born 1953

Senior Vice President, CFO, Rautakirja

Raimo Kurri, born 1953

Senior Vice President, Press Distribution

Timo Mänty, born 1960

Senior Vice President, Entertainment

Jukka Nikkinen, born 1962

Senior Vice President, Business Development, Rautakirja

Jarmo Oksaharju, born 1961

Senior Vice President, Bookstores

Markku Pelkonen, born 1962

Senior Vice President, Kiosk Operations

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Annual Report 2005

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Key indicators

KEY INDICATORS, EUR million	2005	2004	2003, FAS	2002, FAS	2001., FAS
Net sales	2 622.3	2 504.6	2 395.9	2 357.8	1 734.3
Operating profit before depreciation and impairment losses	431.9	421.7	414.8	346.4	235.0
% of net sales	16.5	16.8	17.3	14.7	13.6
Operating profit	301.3	296.7	205.2	134.4	96.5
% of net sales	11.5	11.8	8.6	5.7	5.6
Operating profit excluding major non-recurring capital gains	269.1	270.9	---	---	---
% of net sales	10.3	10.8	---	---	---
Result before taxes	286.0	271.6	163.1	112.7	92.5
% of net sales	10.9	10.8	6.8	4.8	5.3
Result for the period	228.4	203.8	107.5	48.5	61.5
% of net sales	8.7	8.1	4.5	2.1	3.5
Balance sheet total	2 972.0	2 693.6	2 453.0	2 592.5	3 053.1
Gross investments	361.2	281.6	94.8	113.5	1 473.9
% of net sales	13.8	11.2	4.0	4.8	85.0
Return on equity, % (ROE)	22.3	22.7	11.9	4.7	6.7
Return on investment, % (ROI)	15.4	18.0	11.4	7.9	8.5
Equity ratio, %	41.3	38.6	40.3	36.9	31.6
Gearing, %	72.8	81.5	72.9	96.1	115.0
Interest-bearing liabilities	928.7	894.8	819.4	1 006.2	1 439.7
Interest-free liabilities	884.3	812.8	686.1	666.8	678.7
Net debt	843.8	804.5	690.6	883.8	1 074.7
Personnel under employment contract, average	16 885	16 209	17 330	18 657	15 129
Personnel, average (full-time equivalents)	14 256	13 651	14 207	15 210	12 077
Share-related indicators					
Earnings/share, EUR	1.45	1.31	0.69	0.22	0.35
Earnings/share, diluted, EUR *	1.42	1.26	---	---	---
Cash flow from operations/share, EUR	1.69	1.58	1.65	1.33	1.24
Equity/share, EUR	7.28	6.34	6.08	5.70	5.87
Dividend/share, EUR **	0.90	0.80	1.00	0.40	0.51
Dividend/result, % **	62.0	61.2	144.3	178.0	147.5
Market capitalisation, EUR million	3 121.5	2 632.2	2 554.9	1 319.1	1 510.4
Effective dividend yield, %, Series A **	4.3	4.7	5.9	4.0	4.3
Effective dividend yield, %, Series B **	4.6	4.7	6.0	4.2	4.8
P/E ratio, Series A	14.6	13.2	24.4	44.5	34.7
P/E ratio, Series B	13.5	13.2	24.0	42.0	31.0
Number of shares at the end of period, Series A	23 127 312	23 199 492	23 220 492	23 220 492	23 220 492
Number of shares at the end of period, Series B	133 800 270	129 912 660	137 078 936	122 301 104	122 301 104
Average number of shares, Series A	23 161 523	23 215 864	23 220 492	23 220 492	23 220 492
Average number of shares, Series B	131 077 386	134 079 047	134 690 191	122 301 104	122 301 104
Lowest share price, Series A	16.85	14.01	9.00	9.70	10.00
Lowest share price, Series B	17.07	13.70	7.62	8.66	9.60
Highest share price, Series A	23.99	17.90	17.00	13.40	16.50
Highest share price, Series B	21.60	17.77	17.20	13.63	15.00
Average share price, Series A	20.05	16.09	13.18	10.99	12.48
Average share price, Series B	19.72	15.72	11.77	11.29	12.02
Share price at the end of the period, Series A	21.17	17.20	16.89	10.01	12.00
Share price at the end of the period, Series B	19.67	17.19	16.65	9.44	10.70
Trading volumes, Series A	189 380	309 491	195 335	204 728	108 832
% of share capital	0.8	1.3	0.8	0.9	0.5
Trading volumes, Series B	81 050 272	29 558 799	17 252 697	6 207 842	3 625 765
% of share capital	61.8	22.8	13.5	5.1	3.0
* In 2001–2003 diluted earnings per share has been higher than earnings per share, not published.					
** Proposal of the Board of Directors					

Net sales by business

EUR million	1-3/ 2005	4-6/ 2005	7-9/ 2005	10-12/ 2005	1-12/ 2005	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004	1-12/ 2004
Sanoma Magazines										
Sanoma Uitgevers	117.8	134.7	123.4	165.4	541.2	119.3	130.3	125.3	168.0	542.9
Sanoma Magazines International	39.7	53.1	50.8	68.8	212.4	31.6	36.0	31.9	38.8	138.3
Sanoma Magazines Belgium	47.3	46.0	43.1	48.0	184.4	47.5	49.6	44.5	44.4	186.0
Sanoma Magazines Finland	41.4	46.5	43.9	52.6	184.3	43.1	43.0	40.9	47.8	174.8
Aldipress	28.0	29.8	29.0	31.7	118.6	26.2	28.7	29.6	31.2	115.7
Eliminations	-14.7	-14.3	-15.2	-14.9	-59.0	-14.1	-14.8	-16.4	-14.5	-59.8
Total	259.5	295.8	275.0	351.6	1 181.9	253.7	272.6	255.8	315.8	1 097.8
Sanoma										
Helsingin Sanomat	64.6	66.2	61.6	68.6	261.1	63.1	63.0	60.3	68.0	254.4
Ilta-Sanomat	22.1	24.2	24.5	22.9	93.7	22.1	24.9	24.2	23.9	95.2
Sanoma Lehtimedia	11.7	12.7	11.3	12.3	48.0	11.2	12.2	11.3	13.1	47.9
Others	42.2	44.1	42.0	47.0	175.2	35.0	36.8	36.4	39.6	147.7
Eliminations	-32.0	-32.8	-31.6	-35.2	-131.6	-27.3	-27.3	-26.8	-28.7	-110.0
Total	108.6	114.4	107.8	115.6	446.4	104.1	109.6	105.5	116.0	435.2
WSOY										
Educational publishing *	12.8	61.3	47.8	29.3	151.2	4.0	18.8	12.8	53.4	89.0
Publishing	23.4	19.9	16.2	27.7	87.2	27.6	15.0	18.4	28.6	89.7
Printing	13.9	13.7	13.3	10.7	51.6	15.2	13.6	14.6	15.6	59.0
Diaries	0.8	2.4	12.7	0.0	15.8	1.3	2.2	11.8	15.0	30.3
Others	1.3	1.3	1.4	1.6	5.6	1.2	1.2	1.3	1.4	5.1
Eliminations	-3.9	-4.7	-4.3	-4.1	-17.1	-6.6	-2.2	-5.5	-4.9	-19.1
Total	48.3	93.9	87.0	65.2	294.4	42.8	48.6	53.4	109.1	253.9
SWelcom										
Nelonen	17.2	18.9	13.9	21.6	71.5	15.9	18.2	13.2	20.2	67.6
Others	13.0	12.6	12.9	14.2	52.6	13.6	12.3	12.4	13.0	51.2
Eliminations	-0.4	-0.3	-0.4	-0.5	-1.6	-0.3	-0.3	-0.3	-0.3	-1.3
Total	29.8	31.1	26.3	35.3	122.5	29.2	30.1	25.4	32.8	117.5
Rautakirja										
Kiosk operations	81.9	86.7	85.6	91.7	345.8	81.7	88.5	89.5	92.5	352.3
Press distribution	22.7	24.4	25.6	25.8	98.5	19.0	20.6	19.9	20.0	79.5
Bookstores	27.9	22.6	35.8	49.1	135.3	27.6	20.8	34.0	47.3	129.7
Entertainment	16.2	13.7	14.1	21.1	65.0	14.5	11.6	13.9	16.8	56.8
Others	2.5	0.0	0.0	0.0	2.6	12.2	14.2	14.6	11.8	52.8
Eliminations	-2.6	-2.9	-2.5	-3.3	-11.3	-2.7	-3.0	-2.6	-3.0	-11.3
Total	148.6	144.5	158.5	184.4	635.9	152.4	152.6	169.2	185.5	659.7
Other companies and eliminations	-12.5	-12.2	-17.0	-17.1	-58.8	-13.6	-12.0	-15.6	-18.4	-59.6
Total	582.1	667.5	637.7	735.0	2 622.3	568.6	601.5	593.7	740.9	2 504.6
* In 2004 Malmberg's figures were consolidated with WSOY retrospectively as of July 15 in the fourth quarter.										

Operating profit by division

EUR million	1-3/ 2005	4-6/ 2005	7-9/ 2005	10-12/ 2005	1-12/ 2005	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004	1-12/ 2004
Sanoma Magazines	25.5	40.3	23.9	39.4	129.1	23.9	44.6	26.1	45.1	139.7
Sanoma	13.9	16.6	16.4	12.2	59.1	11.3	13.2	23.9	22.5	70.8
WSOY *	-7.1	28.1	30.1	4.7	55.8	1.1	5.7	9.4	12.9	29.1
SWelcom	2.7	2.1	1.0	3.8	9.6	0.9	3.4	1.5	3.8	9.6
Rautakirja	13.8	4.0	10.3	23.0	51.2	8.5	7.0	13.3	18.4	47.2
Other companies and eliminations	0.0	-1.9	1.8	-3.5	-3.5	-0.7	-0.4	-1.3	2.7	0.3
Total	48.9	89.2	83.5	79.6	301.3	45.1	73.5	72.8	105.3	296.7

* In 2004 Malmberg's figures were consolidated with WSOY retrospectively as of July 15 in the fourth quarter.

Income statement by quarter

EUR million	1-3/ 2005	4-6/ 2005	7-9/ 2005	10-12/ 2005	1-12/ 2005	1-3/ 2004	4-6/ 2004	7-9/ 2004	10-12/ 2004	1-12/ 2004
NET SALES	582.1	667.5	637.7	735.0	2 622.3	568.6	601.5	593.7	740.9	2 504.6
Other operating income	14.5	12.5	28.1	25.6	80.7	14.9	16.7	19.5	30.6	81.7
Materials and services	263.6	284.7	292.2	337.4	1 177.8	256.4	267.2	280.7	336.1	1 140.3
Personnel expenses	143.0	147.3	137.2	147.2	574.7	135.9	137.4	126.3	156.1	555.8
Other operating expenses	111.7	125.8	124.1	157.0	518.6	115.4	109.8	106.1	137.2	468.6
Depreciation and impairment losses	29.4	33.0	28.8	39.4	130.6	30.7	30.2	27.3	36.8	125.0
OPERATING PROFIT	48.9	89.2	83.5	79.6	301.3	45.1	73.5	72.8	105.3	296.7
Share of result of associated companies	3.3	2.5	3.2	0.8	9.8	1.6	2.8	0.9	-1.5	3.8
Financial items	-6.1	-8.6	-4.6	-5.8	-25.1	-0.6	-5.2	-8.0	-15.0	-28.8
RESULT BEFORE TAXES	46.0	83.1	82.2	74.7	286.0	46.2	71.0	65.7	88.7	271.6
Income taxes	-12.0	-28.7	-15.8	-1.1	-57.6	-19.8	-13.6	-20.1	-14.4	-67.8
RESULT FOR THE PERIOD	34.0	54.4	66.4	73.6	228.4	26.4	57.4	45.7	74.3	203.8
Attributable to:										
Equity holders of the Parent Company	34.4	52.2	66.3	71.1	224.0	26.4	56.5	45.6	71.5	200.0
Minority interest	-0.4	2.2	0.1	2.5	4.4	0.0	0.9	0.1	2.8	3.8

Accounting practice related to one company has been changed in 2005. Previously this entity was accounted for as an associated company, but is now consolidated as a joint venture using proportionate consolidation method. Comparative data 2004 has been adjusted accordingly.

Board of Directors' Report

Targets and key events

Sustained growth and profitability form SanomaWSOY's key strategic objectives. During the year, the magazine business experienced an expansion. In early March, Independent Media Holding, Russia's leading magazine publisher, was consolidated into Sanoma Magazines International following the necessary approvals for the deal. Operations began in Serbia and Montenegro in February. In December, Sanoma Magazines International signed a letter of intent with Gruner + Jahr and Styria to establish a partnership for magazine publishing in the Adriatic region, namely Croatia, Serbia and Montenegro, and Slovenia.

Rautakirja continued to internationalise its press distribution operations: in August, the Russian competition authorities approved Rautakirja's acquisition of TK Presseexpo, a press distribution company owned by Independent Media. Hiparion Distribution of Romania and Impress Teva of Lithuania were consolidated into Rautakirja in early 2005 and Rautakirja increased its holding in Hiparion Distribution to 99% during the year. The kiosk operations entered Lithuania, following anti-trust approval in December for Rautakirja's acquisition of Lietuvos Spauda, the market leading kiosk chain in Lithuania.

The Group invested heavily in developing business and strengthening market positions. The product and service range saw improvements in terms of newspaper and magazine revamps and launches, among other things. WSOY continued to share best practices and make use of synergies in its new educational publishing business, while SWelcom invested in TV channel Nelonen's programmes in particular. The Sanoma Kaupunkilehdet business unit for free sheets continued to expand further, based for instance on acquisitions, new distribution agreements, and launches. All divisions implemented development projects for electronic businesses.

The Group also continued to focus on its core businesses. Rautakirja divested its restaurant operations in January. Sanoma Lehtimedia's divestment of the operations of Etelä-Karjalan Jakelu, a newspaper delivery business, to Finland Post took effect on September 1, 2005. WSOY divested Dark, a digital printer, in August, the Ajas-to diary group in September, and Lönnberg Painot, a printing house, in October. WSOY will focus on educational publishing in Europe and publishing operations in the Nordic region. In December, Rautakirja divested its 50% holding in CZ Retail, a Czech kiosk operator, to its French partner Hachette Distribution Services.

SanomaWSOY's target is to increase net sales at a rate faster than that of GDP in the main operating countries. The Group's strategic operating profit margin target is 12%. These targets are based on the assumption that the development of the operating environment remains stable.

Operating environment

In 2005, SanomaWSOY's main operating countries' economies differed in their growth rates: according to research institutions, GDP growth rate stood at 1.6% in Finland and at 0.8% in the Netherlands. Belgium showed a GDP growth rate of 1.5%. CEE countries recorded higher growth rates, as evidenced by that of 2.7% in Hungary, 4.9%

in the Czech Republic, and 6.0% in Russia.

Research institutions estimate that consumer spending in 2005 rose by 3.5% in Finland and 1.0% in Belgium, while remaining at the previous year's level in the Netherlands. Consumer spending grew by 2.9% in Hungary, 2.6% in the Czech Republic, and 11.5% in Russia.

Media advertising in Finland increased by 3% in 2005, according to TNS Gallup Adex. Newspaper advertising grew by 2% and job advertising by 13%. Advertising in magazines increased by 5% and TV advertising by 2%. According to preliminary information issued by ZenithOptimedia, magazine advertising remained at the previous year's level in Belgium while increasing by 1% in the Netherlands, 8% in Hungary, and 9% in the Czech Republic. The magazine advertising's share of media advertising continued to decline slightly in the Netherlands, Belgium, and Hungary.

The Finnish Book Publishers Association's preliminary information suggests that book sales in 2005 remained at the previous year's high levels. Finnish sales of educational materials rose by 14%, as a result of new curricula introduced in schools. The educational publishing market is projected to have grown slightly in the Netherlands and Belgium too.

According to the Finnish Food Marketing Association, Finnish sales of daily consumer goods grew by 0.5% in 2005.

Net sales

SanomaWSOY's net sales for 2005 rose by 4.7%, totalling EUR 2,622.3 (2,504.6) million, with all divisions recording net sales improvements, except Rautakirja. Sources of growth in net sales came particularly from new operations in Russia, the Netherlands, and Belgium. Net sales adjusted for changes in Group structure improved by 1.9%. Advertising sales accounted for 22% (20%) of Group total net sales. In geographic terms, Finland accounted for 50.9% (55.0%) of net sales, other EU countries 44.7% (43.4%), and other countries 4.4% (1.6%).

Result

The Group's results exceeded the previous year's record levels. Operating profit for 2005 increased by 1.5%, to EUR 301.3 (296.7) million, accounting for 11.5% (11.8%) of net sales. This improved profit was especially due to the results posted by WSOY's new educational publishing operations during the second and third quarters, and a good performance shown by Helsingin Sanomat. In 2004, Malmberg's figures were consolidated with WSOY retrospectively as of July 15 in the fourth quarter once the deal was closed. The major non-recurring capital gains totalled EUR 32.2 (25.8) million. Excluding these gains, operating profit came to EUR 269.1 (270.9) million.

The real estate divestment programme related to divesting most of the real estates which are not used by the Group was finalised in 2005, excluding land areas. The major non-recurring capital gains of these real estates were EUR 5.8 (11.1) million. The divestment of these real estates will decrease results of the Group's other companies since there will be no rental income or corresponding capital gains.

The Group's net financial expenses totalled EUR 25.1 (28.8) mil-

lion. Financial income amounted to EUR 10.6 (20.5) million. In 2004, SanomaWSOY divested its share portfolio. The Group had no corresponding financial income during the financial year. Financial expenses amounted to EUR 35.7 (49.3) million, consisting mainly of interest expenses of liabilities totalling EUR 30.3 (34.4) million. The restructuring of the Group's loan portfolio in late 2004 and the conversion of some of SanomaWSOY Corporation's convertible capital notes into shares in 2005 markedly reduced financial expenses. Cash flow from operations totalled EUR 260.9 (241.2) million and cash flow from operations per share was EUR 1.69 (1.58).

Result before taxes improved by 5.3%, to EUR 286.0 (271.6) million. The Group's relative effective tax rate fell as a result of higher tax-exempt capital gains, a lower corporate tax rate, and tax adjustments made for previous years. Earnings per share rose to EUR 1.45 (1.31).

Balance sheet and financial position

On December 31, 2005, the consolidated balance sheet totalled EUR 2,972.0 (2,693.6) million. Remaining strong, the Group's financial position improved from the previous year. Equity ratio was 41.3% (38.6%) and gearing 72.8% (81.5%). Equity increased to EUR 1,159.1 (986.0) million. Interest-bearing liabilities totalled EUR 928.7 (894.8) million and net debt EUR 843.8 (804.5) million. Net debt to EBITDA ratio was about 2. Group cash and cash equivalents totalled EUR 84.9 (90.3) million at the end of December.

Investments

In 2005, SanomaWSOY's investments totalled EUR 361.2 (281.6) million. The largest investments were Sanoma Magazines' acquisition of Independent Media and the transfer of JHC Arena Holding and its multipurpose arena in Hamburg to Rautakirja's ownership. A total of EUR 154.7 million was recorded as investment on Independent Media. Investment in the multipurpose arena in Hamburg increased Rautakirja's balance sheet by EUR 76.5 million. R&D expenditure recorded as expenses totalled EUR 16.2 (16.9) million.

Administration

SanomaWSOY's Annual General Meeting of April 12, 2005, re-elected Robert Castrén, Jane Erkko, Paavo Hohti, and Robin Langenskiöld who were outgoing members, to the Board. Chairman Jaakko Rauramo, Sari Baldauf, who was elected Vice Chairman, and members Sirkka Hämäläinen-Lindfors, Seppo Kievari, Hannu Syrjänen, and Sakari Tamminen continued to sit on the Board.

The Management Group in 2005 comprised Hannu Syrjänen (Chairman), Eija Ailasmaa, Nils Ittonen, Erkki Järvinen, Jorma Kaimio, Tapio Kallioja, Mikael Pentikäinen, Kerstin Rinne, and Matti Salmi.

SanomaWSOY's auditors included PricewaterhouseCoopers Oy, a firm of authorised public accountants, with Johanna Perälä, Authorised Public Accountant, acting as auditor in charge, and Pekka Nikula, Authorised Public Accountant.

Personnel

In 2005, the SanomaWSOY Group had an average personnel of 16,885 (16,209). Expressed as full-time equivalents, the number of Group employees averaged 14,256 (13,651). Sanoma Magazines had an average personnel of 5,275 (4,524), Sanoma 2,782 (2,746), WSOY 2,311 (2,188), SWelcom 425 (415), and Rautakirja 6,023 (6,261). The number of parent company employees averaged 70 (74). Company acquisitions led to growth in the personnel of Sanoma Magazines and WSOY.

Risks and risk management

The Group assumes manageable risks to make the most of business opportunities. In 2005, SanomaWSOY analysed its major risks and risk exposure. Normal business risks in the industry are associated with developments in media advertising and consumer spending. Media advertising is sensitive to economic fluctuations. Only around one-fifth of SanomaWSOY's net sales come from media advertising.

The Group's five divisions operate in versatile fields of media in over 20 European countries. Consequently, the Group's result is not heavily dependent on the development of any individual business unit. SanomaWSOY has a wide product and service portfolio, which reduces the Group's susceptibility to risks associated with an individual product or product launch. SanomaWSOY's international business areas – magazine publishing, educational publishing, and press distribution – are not primarily exposed to any political risks.

The Group has identified rapid technological progress as a business risk component with an effect on the nature of business. ICT systems and their performance also play a major role in many Group businesses.

In recent years, SanomaWSOY has grown vigorously due to acquisitions. As a result, the consolidated balance sheet includes about EUR 1.5 billion in goodwill, publishing rights, and other intangible assets related to acquired businesses. Due to the adoption of IFRS, instead of regularly amortising goodwill, it is tested for impairment on an annual basis, or when there is indication of impairment. Such an impairment test is carried out annually in the autumn upon the completion of the Group's strategic plans. Impairment losses for 2005 totalled EUR 1.8 (1.5) million. There was no indication of other impairment losses.

SanomaWSOY's operations are mainly based on work performed within office premises, causing no major environmental hazards. Typical of the graphical industry, the Group's environmental load is at a low level, with no specific environmental risks identified.

Seasonal fluctuation

Developments in media advertising have an impact on the net sales and results of Sanoma Magazines, Sanoma, and SWelcom. Advertising sales are influenced, for example, by the number of newspaper and magazine issues published during each quarter, which varies yearly. TV advertising in Finland is usually strongest in the second and fourth quarters.

A major part of net sales and results in publishing and trade, for example, is generated in the last quarter, particularly from Christmas sales. Educational publishing records most of its net sales and results during the second and third quarters. Seasonal fluctuations in publishing also have an impact on printing.

Seasonal fluctuations in Group businesses influence net sales and operating profit, the first quarter traditionally showing the weakest and the fourth quarter the strongest performance.

Dividend

In line with the AGM's decision, SanomaWSOY paid out a per-share dividend of EUR 0.80 (1.00) for 2004. The record date for dividend payment was April 15, 2005 and the dividend payment date was April 22, 2005. The Board of Directors proposes a per-share dividend of EUR 0.90 (0.80) for 2005. Based on the SanomaWSOY Group's dividend distribution principles revised by the Board of Directors, the Company conducts an active dividend policy and primarily pays out over half of Group result after taxes in dividends.

Outlook for 2006

European economies are projected to grow in 2006. Research firms predict that GDP will grow by 2.0% in the Netherlands, 1.8% in Belgium, 3.2% in Finland, 3.7% in Hungary, 4.4% in the Czech Republic, and 5.6% in Russia. Media advertising usually grows at a rate faster than that of GDP.

In 2006, SanomaWSOY's net sales are projected to increase by around 4% and operating profit, excluding the major non-recurring capital gains, is expected to improve. In 2005, operating profit, excluding these capital gains, totalled EUR 269.1 million.

Sanoma Magazines Magazine publishing and distribution

In 2005, Sanoma Magazines' net sales grew to EUR 1,181.9 (1,097.8) million mainly due to new operations in Russia and the Ukraine. The accounting practice related to a Sanoma Uitgevers' company has been changed in 2005. Previously the entity was accounted for as an associated company but is now consolidated as a joint venture. The comparative data 2004 has been adjusted accordingly. The change affects Sanoma Uitgevers' and Sanoma Magazines' income statement and balance sheet. Adjusted for changes in the Group structure, the Division's net sales grew by 1.9%. Advertising sales, representing 23% (21%) of Sanoma Magazines' net sales, increased by 21% compared to 2004, mainly due to new operations. Circulation sales were 56% (58%) of the Division's net sales and increased in total by 4%. Single copy sales declined in the Netherlands and Belgium, but subscription sales developed well in all markets.

The Dutch-based Sanoma Uitgevers' net sales totalled EUR 541.2 (542.9) million. Advertising sales, representing 18% (18%) of net sales, increased by 1% despite the continuous difficult market situation in the Netherlands with pressure on advertising income. Sanoma Uitgevers' circulation sales decreased by 2%. Subscription sales developed well but single copy sales were affected by the weak development of consumer spending. Sanoma Uitgevers' was active in

the magazine market to secure future market positions and further developed its major magazine launches of 2004. Sales of online operations developed strongly. Investments in these operations in the Netherlands continued.

Net sales at Sanoma Magazines International increased to EUR 212.4 (138.3) million mainly due to new operations in Russia and the Ukraine: the net sales of Independent Media totalled EUR 64.3 million in March–December 2005. Net sales grew in all other operating countries, except in the Czech Republic where circulation sales decreased due to the readers' market favouring cheaper titles than before. Advertising sales increased by 95% and totalled 45% (36%) of Sanoma Magazines International's net sales. Most growth came from the new Russian operations, where *Cosmopolitan* in particular performed well. Advertising sales also developed well in Hungary, Bulgaria, Croatia, and Romania. Circulation sales increased by 20%, contributed to mainly by the operations in Russia, the Ukraine, Hungary, Romania, Serbia and Montenegro, Bulgaria, and Croatia. Sanoma Magazines International made a total of eight major magazine launches during the year. In December, it signed a letter of intent with Gruner + Jahr and Styria to establish a partnership for magazine publishing in the Adriatic region, i.e. Croatia, Serbia and Montenegro, and Slovenia.

Sanoma Magazines Belgium's net sales decreased slightly to EUR 184.4 (186.0) million. Advertising sales, representing 29% (29%) of net sales, remained stable despite lower sales in the French-speaking south. Circulation sales increased by 1% in 2005. Net sales decreased as some less profitable activities were discontinued. Sanoma Magazines Belgium is in the process of renewing its distribution system. It also invested in online operations by, e.g., acquiring the *zappybaby.be* site targeted at parents with young children.

Sanoma Magazines Finland's net sales grew well to EUR 184.3 (174.8) million mainly due to increased circulation sales. The good performance of main titles, successful 2004 launches, and the increased number of issues of some titles contributed to the growth of subscription sales. Single copy sales were slightly above the previous year's level. In total, circulation sales increased by 9%. Advertising sales grew 1% and totalled 16% (16%) of the business' net sales.

Net sales at Aldipress amounted to EUR 118.6 (115.7) million. Single copy sales of magazines in the Netherlands distributed by Aldipress increased slightly. New product groups, such as home entertainment products, and services offered to publishers also developed well. Aldipress continued to develop its activities during the year and finalised the relocation of its returns logistics to Duiven.

Sanoma Magazines' investments in 2005 totalled EUR 206.9 (20.0) million. EUR 154.7 million was recorded as an investment for the acquisition of Independent Media. Other investments were mostly related to ICT and office relocations.

Operating profit in Sanoma Magazines decreased to EUR 129.1 (139.7) million. There were no major non-recurring capital gains in 2005 (in 2004: EUR 2.4 million). The result decreased clearly in Sanoma Uitgevers due to declining single copy sales, partly offset by the favourable development of online operations. Sanoma Magazines

zines International improved its results, mainly due to the new business in Russia and the Ukraine. The operating profit of Independent Media in March–December 2005 totalled EUR 7.0 million. Sanoma Magazines Belgium's operating profit increased slightly due to effective cost control. The operating result in Sanoma Magazines Finland was the best ever due to increased subscription sales, but the total result, due to the capital gains on the divestment of Milvus Förlags in 2004, was slightly below that of the previous year. Operating profit in Aldipress remained at the previous year's level due to the costs relating to the relocation of return logistics.

After the review period, Sanoma Uitgevers' (acting) President Christina von Wackerbarth finalised her investigation concerning the optimal organisation of the Dutch operations. It is expected that a new President will be appointed within a few months.

Sanoma Magazines continues to invest in growth, especially in Russia and CEE countries. Also the development of online businesses continues. Intense competition both in advertising and readers' markets in the Netherlands is expected to continue. In 2006, Sanoma Magazines' net sales are estimated to grow and operating profit is expected to be at the previous year's level.

Sanoma

Newspaper publishing and printing

Sanoma's net sales for 2005 rose to EUR 446.4 (435.2) million, due mainly to higher advertising sales. Helsingin Sanomat, Ilta-Sanomat, Taloussanomat, and the Sanoma Kaupunkilehdet business unit for free sheets posted an increase in advertising sales. The Helsingin Sanomat business unit generated the most growth in net sales.

Accounting for 51% (49%) of Sanoma's net sales, advertising sales grew by 6% in 2005, the new Sanoma Kaupunkilehdet business unit for free sheets and the Ilta-Sanomat business unit reporting the strongest growth. The year saw a marked increase in online advertising. Sanoma's fourth-quarter advertising sales rose by 2% on a year earlier.

Sanoma's circulation sales remained at the previous year's levels, accounting for 42% (43%) of its net sales. Subscription sales improved slightly but the Ilta-Sanomat business unit recorded a fall in newsstand sales.

The Helsingin Sanomat business unit improved its net sales to EUR 261.1 (254.4) million, resulting from growth in both advertising sales and circulation sales. Growth in the advertising market that began in autumn 2004 slowed slightly towards the end of 2005, with advertising sales increasing by 4% in 2005. Job advertising grew by 11%. Despite a minor decrease in circulation, Helsingin Sanomat somewhat increased its circulation sales. Helsingin Sanomat strengthened its local position and cross-media strategy by acquiring Radio Helsinki in May and upgrading its online services. Oikotie, an electronic service for classified advertisements, made excellent progress.

The Ilta-Sanomat business unit posted net sales of EUR 93.7 (95.2) million. Its advertising sales improved by 7% but circulation sales remained below 2004 levels due to weaker newsstand sales. The Finnish quality tabloid market declined by 2%. Ilta-Sanomat

held a 60.3% (60.8%) market share of all quality tabloids. During the year, Ilta-Sanomat further developed its online business in particular, as evidenced by the acquisition in July of an online auction service, Huuto.Net, making the Ilta-Sanomat business unit Finland's largest provider of online services for classified ads.

Sanoma Lehtimedia's net sales remained at the previous year's levels, EUR 48.0 (47.9) million. Although some papers recorded a fall in their advertising sales due to restructuring in daily consumer goods industry, the total advertising sales remained at the previous year's levels. Circulation sales grew by 2% despite a slight drop in the circulation of the largest daily newspapers.

Sanoma put a lot of effort into its Sanoma Kaupunkilehdet business unit for free sheets. Free sheet distribution volumes grew due, for example, to Uutislehti 100 distribution agreements in the spring and the Kaupunkilehti Vartti free sheet's expansion. Sanoma centralised its business-to-business services – Taloussanomat, Esmerk, and Lehtikuva – in a new Sanoma Business Services business unit.

In 2005, Sanoma's investments totalled EUR 22.9 (24.9) million, allocated mainly to the Sanomala printing plant, the acquisition of publishing rights, and the further development of online services.

Sanoma's operating profit decreased to EUR 59.1 (70.8) million. Operating profit, excluding the major non-recurring capital gains and reversal of provision, improved to EUR 58.1 (56.5) million. Operating profit for 2005 included considerably lower amounts of these capital gains than a year ago, or EUR 1.0 (11.3) million. Operating profit for 2004 also included release of provision for Nostokonepalvelu Oy, EUR 3.0 million. Sanoma's result was primarily improved by Helsingin Sanomat which recorded a markedly faster growth in its operating profit than its net sales, thanks to growth in advertising sales. The Ilta-Sanomat business unit's result was eroded by a decline in newsstand sales. Sanoma Lehtimedia also reported a decrease in its operating result.

Sanoma's 2006 net sales are expected to increase, due particularly to the sustained, favourable development of media advertising and the Division's new operations. Operating profit is projected to improve slightly, as a result of greater operational efficiency and higher net sales.

WSOY

Educational publishing, publishing, and printing

WSOY improved its net sales to EUR 294.4 (253.9) million. Sources of this growth came from the Dutch and Belgian educational publishing units acquired in July 2004, whose accounts are now included in those of the Division throughout the financial year. In 2005, WSOY sold its diaries business and part of its printing business. Net sales adjusted for changes in Group structure improved by 4.4%.

Educational publishing increased its net sales to EUR 151.2 (89.0) million, most of this growth coming from businesses acquired in summer 2004. Favourable sales development in all markets was also a source of this net sales growth. The remodelled curricula contributed to higher sales of materials for all grades in Finland. New products launched in the Netherlands and Belgium also improved net sales. The electronic educational materials offered by the Polish

based Young Digital Poland (YDP) sold well. In Finland, the use of the internet-based Opit service tripled and the number of its user licences rose to 130,000. WSOY reorganised its educational publishing units in Finland, the Netherlands, Belgium, and Poland, under a new educational publishing business in early 2005. The Division set up development projects to continue these units' internal integration, with a view to seeking cost efficiency in printing, ICT, and content production, for instance.

Net sales of publishing decreased to EUR 87.2 (89.7) million. Although translated fiction and children's and juvenile books continued to sell well, Christmas sales important to publishers did not reach the top figures recorded a year earlier. Bookstore sales for 2005 remained at the previous year's levels. Sales through WSOY book clubs decreased as a result of less effort being made to canvas for members. WSOYpro, which provides the corporate sector with up-to-date information, developed favourably, with its electronic products and the range of training courses in particular appealing to customers. Net sales posted by Weilin+Göös, a multi-volume book publisher, increased in Finland, but Bertmark Media showed a slight fall in sales in the other Nordic countries. WSOY's publishing business carries weight in the market: the Division's books and authors were successful in terms of book awards received, and sale of publishing rights abroad continued to make good progress.

Printing posted net sales of EUR 51.6 (59.0) million. WSOY divested Dark, a digital printer, in August, and Lönnberg Painot, a printing house, in October. The Division's 2005 net sales included EUR 18.6 million in net sales generated by the divested printing operations. WSOY will focus on printing books.

Diaries' net sales came to EUR 15.8 (30.3) million. September saw the disposal of this business, which was clearly reflected in the net sales and operating profit of the business for 2005 as a whole.

WSOY's total investments of EUR 8.1 (204.7) million consisted of normal replacement investments, the renovation of its office building on Bulevardi, and ICT investments.

WSOY reported a major year-on-year improvement in its operating profit, EUR 55.8 (29.1) million. This improvement came from the major non-recurring capital gains of EUR 16.5 (0.0) million and the inclusion of its new educational publishing operations' results in its figures for 2005 as a whole. However, the divestment of the diaries business decreased WSOY's operating result, given that the fourth quarter has always been the peak season for diaries.

Due to divestments in 2005, WSOY's net sales for 2006 are expected to decrease. Operating profit, excluding the major non-recurring capital gains, is projected to be at the 2005 level.

SWelcom

Electronic media

Continuing to show good growth, Nelonen's net sales amounted to EUR 71.5 (67.6) million and the channel's share of all TV advertising rose to 31% (30%). Nelonen reached its all-time high market share of almost 35% in June 2005. Despite heavy programme investments, the channel's viewing share was lower than a year ago, as TV viewing more clearly spread across more channels in 2005. The channel

continued its programme investments in 2005: in cooperation with Canal+, Nelonen acquired the broadcasting rights for the Finnish National Ice Hockey League for 2005–2008. During the autumn, Nelonen expanded its TV advertising sales service (sales house strategy) within its service portfolio by selling Canal+ Sport's advertising and sponsoring in Finland.

Nelonen is increasingly developing cross-media programmes. An excellent example of Nelonen's extensive cross-media concept is a Finnish version of *The Survivors* screened in autumn 2005, combining a website, a NetTV, and a special *Survivors* magazine to the series.

The number of Welho's new pay TV and broadband subscriptions continued to show a significant increase, whereas the number of new cable TV subscribers levelled off to a normal level after record years. Welho has become a so-called triple-play service provider when its service portfolio now includes VoIP telephone services, in addition to TV and broadband services.

SWelcom's operating profit remained at the previous year's level, totalling EUR 9.6 (9.6) million. Nelonen posted a marked improvement in its operating profit, but fierce competition on broadband services' prices undermined Welho's operating result.

SWelcom's investments totalled EUR 11.1 (10.7) million, most of which was allocated to the development of Welho's cable network and services.

SWelcom's television operations – TV channel Nelonen, the cable TV and broadband operator Welho, and Werne, specialising in technical television and audio-visual production services – have combined their operations under a single company, SW Television Ltd, from early 2006. This reorganisation will enhance SWelcom's opportunities to meet the challenges presented by integrating electronic media in the field of commercial television and pay TV.

SWelcom's net sales are expected to increase further in 2006, due to growth in TV advertising, Nelonen's market share, and pay TV and broadband sales. The Division will make more dedicated efforts to seek growth in new technologies and businesses too. Operating profit is projected to improve.

Rautakirja

Kiosk operations, press distribution, bookstores, and entertainment

Rautakirja's net sales for 2005 totalled EUR 635.9 (659.7) million, 18% (12%) of which came from outside Finland. The divestment of its restaurant operations in December 2004 lowered net sales. Net sales adjusted for changes in Group structure remained at the previous year's level.

Kiosk operations' net sales fell to EUR 345.8 (352.3) million. Net sales increased in Estonia and Latvia but decreased in Finland characterised by persistently fierce competition in retail. During the year, the R-kiosk chain invested heavily in adopting a new cash-register system, enabling the sale of new types of products and services through its kiosks. For example, the autumn saw the launch of buying tickets booked via Lippupalvelu, a ticket agency, from R-kiosks. When the system becomes fully operational at over 700 R-ki-

osks in spring 2006, the kiosks will provide several new services. In December, Rautakirja divested its 50% holding in a Czech kiosk operator to its French partner Hachette Distribution Services. In the same month, Rautakirja's acquisition in May of Lietuvos Spauda, the market leading kiosk chain in Lithuania, received Lithuanian anti-trust approval. The acquired company has been consolidated into Rautakirja since January 1, 2006.

Press distribution's net sales increased to EUR 98.5 (79.5) million, the majority of this growth coming from new units in Lithuania, Romania, and Russia acquired in 2005. Net sales also rose in Finland, Latvia, and Estonia. The Estonian Apollo bookstore chain's logistics and wholesale operations were transferred to Lehepunkt, a distributor of newspapers and magazines. A 0.5% increase in sales of cover-price single copies boosted net sales in Finland. Sales of domestic magazines increased but those of foreign magazines and newspapers declined. The weak development of quality tabloids pulled down sales of domestic newspapers. During the financial year, press distribution made strides in internationalising its operations. The first half of 2005 saw the completion of acquisitions in Lithuania and Romania. In Romania, Rautakirja increased its holding in a press distribution company to 99% during the year. In June, Rautakirja acquired TK Presseexpo, a Russian press distribution company, which holds an approximate 15% share in modern press distribution in the Moscow region.

Bookstores' net sales for 2005 improved to EUR 135.3 (129.7) million, due mainly to the chain's vigorous expansion in both Finland and Estonia. The chain was supplemented with new outlets housed in shopping centres: two bookstores were opened in Estonia during the year and five in Finland in the second half of the year. Sales of textbooks, non-fiction, and paperbacks developed favourably. Suomalainen Kirjakauppa performed outstandingly well in its Christmas sales. Its online bookstore also showed marked sales growth.

Net sales posted by entertainment rose to EUR 65.0 (56.8) million, this growth stemming from a multipurpose arena in Hamburg transferred to Rautakirja's ownership in February 2005. The first three quarters were marked by the movie business suffering from a global downturn in film supply, which also eroded movie theatre net sales in Finland and the Baltic countries. Although the fourth quarter saw a number of box-office hits come onto the market, the quarter's excellent performance could not compensate for the poor one recorded in earlier quarters. Only Latvia among Finnkino's operating countries experienced slight growth in movie theatre customer volumes. However, the market position strengthened in Finland.

Net sales of other operations came to EUR 2.6 (52.8) million. The figure includes restaurant operations, divested in late 2004, with their last units being disposed of in late January 2005.

Rautakirja's investments for 2005 totalled EUR 111.5 (18.0) million, the largest investments consisting of the transfer of JHC Arena Holding and its multipurpose arena in Hamburg to Rautakirja's ownership and acquisitions in Lithuania, Romania, and Russia. Rautakirja also made heavy investments in business ICT projects, as well

as the acquisition of new retail premises and the renovation of existing ones. Investment in the multipurpose arena in Hamburg increased Rautakirja's balance sheet by EUR 76.5 million.

Rautakirja's operating profit increased to EUR 51.2 (47.2) million, due mainly to capital gains from divestments. The major non-recurring capital gains totalled EUR 8.9 (1.0) million, coming mainly from the divestments of restaurant operations and Czech kiosk operations. Kiosk operations' operating results were lower than in the previous financial year, due to a fall in operating profit recorded by Finnish operations. Other countries showed a slight improvement in results. Good results reported by Finland's Lehtipiste, in particular, bolstered press distribution's operating profit. The opening of new stores worsened bookstores' results in both Finland and Estonia, showing a lower operating profit than a year ago. Although the fourth quarter saw the supply of interesting films that made customers return to movie theatres, entertainment reported declining results due to a marked year-on-year fall in customer volumes in movie theatres.

Rautakirja's lines of business will face ever-intensifying competition in all operating countries.

Rautakirja will continue to ensure its expansion and success through continuous development, internationalisation, and acquisitions, with Russia and the emerging CEE economies serving as the target countries for expansion. Rautakirja's 2006 net sales are projected to increase and operating profit, excluding the major non-recurring capital gains, to improve.

Consolidated income statement

EUR million	Note	1.1–31.12.2005	1.1–31.12.2004
NET SALES		2 622.3	2 504.6
Other operating income	4	80.7	81.7
Materials and services		1 177.8	1 140.3
Personnel expenses	5, 31	574.7	555.8
Other operating expenses	6	518.6	468.6
Depreciation and impairment losses	10–12	130.6	125.0
OPERATING PROFIT		301.3	296.7
Share of result of associated companies		9.8	3.8
Financial income	7	10.6	20.5
Financial expenses	7	35.7	49.3
RESULT BEFORE TAXES		286.0	271.6
Income taxes	8	-57.6	-67.8
RESULT FOR THE PERIOD		228.4	203.8
Attributable to:			
Equity holders of the Parent Company		224.0	200.0
Minority interest		4.4	3.8
Earnings per share for result attributable to the equity holders of the Parent Company:	9		
Earnings per share, EUR		1.45	1.31
Diluted earnings per share, EUR		1.42	1.26

Accounting practice related to one company has been changed in 2005. Previously this entity was accounted for as an associated company, but is now consolidated as a joint venture using proportionate consolidation method. Comparative data 2004 has been adjusted accordingly.

Consolidated balance sheet

EUR million	Note	31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	10	566.5	496.7
Investment property	11	12.1	32.1
Goodwill	12	1 329.3	1 252.8
Other intangible assets	12	313.0	190.2
Interest in associated companies	13	61.0	49.5
Available-for-sale financial assets	14	22.8	21.2
Deferred tax receivables	8	53.2	61.4
Other receivables	5, 15	37.7	49.7
NON-CURRENT ASSETS, TOTAL		2 395.6	2 153.6
CURRENT ASSETS			
Inventories	16	144.0	144.2
Income tax receivables		16.8	8.6
Other receivables	17	330.2	296.6
Available-for-sale financial assets	14	0.5	0.5
Cash and cash equivalents	18	84.9	90.3
CURRENT ASSETS, TOTAL		576.4	540.1
ASSETS, TOTAL		2 972.0	2 693.6
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the equity holders of the Parent Company			
Share capital		67.5	65.8
Premium fund		93.7	34.9
Other reserves		363.8	369.4
Translation differences		15.9	5.8
Retained earnings		601.9	494.8
		1 142.8	970.7
Minority interest		16.3	15.3
EQUITY, TOTAL		1 159.1	986.0
NON-CURRENT LIABILITIES			
Deferred taxes	8	90.4	81.4
Pension obligations	5	64.8	59.6
Provisions	21	12.3	15.4
Interest-bearing liabilities	22	132.0	382.5
Other liabilities	23	24.2	23.4
CURRENT LIABILITIES			
Provisions	21	9.9	12.9
Interest-bearing liabilities	22	796.8	512.3
Income tax liabilities		37.5	23.5
Other liabilities	23	645.2	596.5
LIABILITIES, TOTAL		1 813.0	1 707.6
EQUITY AND LIABILITIES, TOTAL		2 972.0	2 693.6

Changes in equity

EUR million	Equity attributable to the equity holders of the Parent Company							Minority interest	Equity, total
	Share capital	Premium fund	Treasury shares	Other reserves	Translation differences	Retained earnings	Total		
Equity at Jan. 1, 2004	68.9	31.8	-10.6	369.4		456.5	916.0	11.7	927.7
Change in translation differences					5.8		5.8	0.0	5.8
Other items						-1.2	-1.2		-1.2
Items recognised directly in equity, total					5.8	-1.2	4.6	0.0	4.7
Profit for the period						200.0	200.0	3.8	203.8
Total recognised income and expenses					5.8	198.9	204.6	3.8	208.5
Expense recognition of granted options						3.2	3.2		3.2
Dividends paid						-153.1	-153.1	-1.4	-154.5
Change in minority interests								1.1	1.1
Invalidation of shares	-3.1	3.1	10.6			-10.6			
Equity at Dec. 31, 2004	65.8	34.9		369.4	5.8	494.8	970.7	15.3	986.0
Impact of implementing IAS 32 and IAS 39, derivatives						-1.2	-1.2		-1.2
Impact of implementing IAS 32 and IAS 39, convertible capital note				10.1		-11.0	-0.9		-0.9
Equity at Jan. 1, 2005, adjusted	65.8	34.9		379.5	5.8	482.7	968.6	15.3	983.9
Translation differences recognised in income statement on disposal of operations					-1.3		-1.3		-1.3
Change in translation differences					11.4		11.4	0.3	11.7
Other items						-0.6	-0.6		-0.6
Items recognised directly in equity, total					10.1	-0.6	9.5	0.3	9.7
Profit for the period						224.0	224.0	4.4	228.4
Total recognised income and expenses					10.1	223.3	233.4	4.7	238.1
Conversion of capital notes	1.6	58.6		-2.0			58.3		58.3
Usage of share options	0.0	0.3					0.3		0.3
Expense recognition of granted options						4.6	4.6		4.6
Dividends paid						-122.5	-122.5	-0.2	-122.7
Change in minority interests								-3.4	-3.4
Other changes				-13.7		13.7			
Equity at Dec. 31, 2005	67.5	93.7		363.8	15.9	601.9	1142.8	16.3	1159.1

Consolidated cash flow statement

EUR million	1.1–31.12.2005	1.1–31.12.2004
OPERATIONS		
Result for the period	228.4	203.8
Adjustments		
Income taxes	57.6	67.8
Financial expenses	35.7	49.3
Financial income	-10.6	-20.5
Share of result of associated companies	-9.8	-3.8
Depreciation and impairment losses	130.6	125.0
Profit on sales of non-current assets	-37.6	-34.3
Other adjustments	-44.7	-34.5
Change in working capital		
Change in trade and other receivables	-13.2	0.2
Change in inventories	-7.4	0.8
Change in trade and other payables, and provisions	22.5	11.9
Interest paid	-30.3	-52.8
Other financial items	-1.0	-2.9
Taxes paid	-59.3	-68.8
CASH FLOW FROM OPERATIONS	260.9	241.2
INVESTMENTS		
Acquisition of tangible and intangible assets	-89.9	-64.1
Operations acquired	-154.8	-74.9
Associated companies acquired	-1.3	-0.3
Acquisition of other holdings	-1.1	-3.5
Sales of tangible and intangible assets	29.3	36.3
Operations sold	37.6	13.8
Associated companies sold	0.0	1.1
Sales of other companies	0.7	27.8
Loans granted	-11.0	-16.2
Repayments of loan receivables	19.3	3.2
Sales of short-term investments	0.0	32.0
Interest received	3.6	5.5
Dividends received	3.0	16.2
CASH FLOW FROM INVESTMENTS	-164.7	-23.1
CASH FLOW BEFORE FINANCING	96.2	218.1
FINANCING		
Proceeds from share subscriptions	0.3	
Minority capital investment/repayment of equity	-8.5	0.0
Change in loans with short maturity	135.4	-15.9
Drawings of other loans	367.3	444.2
Repayments of other loans	-463.7	-510.7
Payment of finance lease liabilities	-1.5	-1.3
Dividends paid	-122.7	-154.5
Donations/other profit sharing	-0.4	-0.3
CASH FLOW FROM FINANCING	-93.8	-238.6
Change in cash and cash equivalents according to the cash flow statement	2.4	-20.4
Exchange rate differences under cash and cash equivalents	-1.1	0.5
Net increase(+)/decrease(-) in cash and cash equivalents	1.3	-20.0
Cash and cash equivalents at Jan. 1	83.6	103.5
Cash and cash equivalents at Dec. 31	84.9	83.6

Cash and cash equivalents in cash flow statement include cash and cash equivalents less bank overdrafts.

1. ACCOUNTING POLICIES

Overview

The SanomaWSOY Group's Parent Company, SanomaWSOY Corporation, is a Finnish public limited company domiciled in Helsinki. The address of the Parent Company's registered office is Ludviginkatu 6–8, FI-00130 Helsinki. Copies of the consolidated financial statements are available on the Group's website at www.sanomawsoy.fi or the Parent Company's head office. SanomaWSOY, the leading media Group in the Nordic region, consists of the following five divisions: Sanoma Magazines, Sanoma, WSOY, SWelcom, and Rautakirja. SanomaWSOY Corporation was created by a combination merger on May 1, 1999.

SanomaWSOY has prepared its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) while adhering to related standards, effective at December 31, 2005, and interpretations. IFRS refers to the approved standards and their interpretations applicable within the EU under the Finnish Accounting Act and its regulations in accordance with European Union Regulation No. 1606/2002. The SanomaWSOY Group began to apply IFRS to its financial reporting as of January 1, 2005.

On the date of transition to IFRS, January 1, 2004, the Group applied IFRS 1 (First-time Adoption of IFRS), permitting exemptions not to apply certain standards retrospectively. The most significant exemptions are related to business combinations and the application of IAS 32 and 39 (financial instruments). The Group did not adjust retrospectively the accounting of pre-transition-date acquisitions to comply with IFRS. Despite the transition date, IAS 32 and 39 were applied only from January 1, 2005. Comparatives for 2004 financial instruments were prepared under the Finnish Accounting Standards (FAS). IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) has also been applied since January 1, 2005.

Note 33 provides a more detailed description of the transition to IFRS.

Previously, SanomaWSOY prepared its financial statements and reports in accordance with the Finnish Accounting Standards (FAS). Some changes in accounting principles required by the IFRS were already made in 2004 in accordance with FAS. The accounting practice of net sales was modified at the beginning of 2004. Press distribution was treated as commission sales and the accounting practice of granted discounts and purchased services was harmonised.

Financial statements are presented in millions of euros, based on historical cost conventions unless otherwise stated in the accounting policies.

Prepared in accordance with the Finnish Accounting Standards (FAS), SanomaWSOY Corporation's financial statements are shown after the consolidated financial statements.

SanomaWSOY's Board of Directors have, on February 9, 2006, approved these financial statements to be disclosed.

Management judgement in applying the most significant accounting policies and other key sources of estimation uncertainty

Preparing the financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of income and expenses during the report period. During the preparation of the financial statements, such estimates were used when making impairment testing calculations, allocating acquisition cost, and determining the estimated useful lives for tangible and intangible assets, for example. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates.

Impairment testing is illustrated later in the accounting policies.

Consolidation principles

The consolidated financial statements have been prepared by consolidating the Parent Company's and its subsidiaries' income statements, balance sheets, and notes to the financial statements. Prior to consolidation, the Group companies' financial statements were adjusted to ensure consistency with the Group's accounting policies.

The consolidated financial statements include SanomaWSOY Corporation and companies in which the Parent Company has, directly or indirectly, an interest of more than 50% of voting rights, or over which it is otherwise in control of. Intra-group shareholdings are eliminated using the acquisition cost method.

Companies acquired during the financial year are included in the consolidated financial statements from the date of their acquisition, or from the date on which control is transferred to the Group, and divested subsidiaries are included in the consolidated income statement until the date on which said control ceases.

SanomaWSOY uses the acquisition cost method when accounting for acquisitions. Acquisitions carried out from January 1, 2004, are measured at fair value on the date of acquisition, but acquisitions prior to that date have not been adjusted retrospectively. On the date of acquisition, the acquisition cost is allocated to the assets and liabilities of the acquired business by recognising them at their fair value.

Associated companies are entities in which the Group has significant influence. Significant influence is based on holding over 20% of the voting rights or otherwise obtaining significant influence but not control over the entity. Associated companies are accounted for using the equity method. The Group's share of the associated companies' result is disclosed separately after operating profit.

Joint ventures controlled jointly by the Group with one or several other owners are accounted for using the line-by-line proportionate consolidation method.

Minority interest is disclosed as a separate item in the income statement and under shareholders' equity in the balance sheet. The minority interest's share of subsidiaries' losses is deducted from the

equity loan given by minority shareholders, and the remaining capital loan is shown under interest-bearing liabilities.

Intra-group transactions, receivables and liabilities, material intra-group margins, and distribution of profits within the Group are eliminated in the consolidated financial statements.

Foreign currency transactions

Items of each subsidiary included in the consolidated financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that subsidiary (the functional currency). The consolidated financial statements are presented in euros, which is the Parent Company's functional and presentation currency.

Foreign currency transactions of the Group's Finnish companies are translated at the exchange rate quoted on the transaction date. Assets and liabilities on the balance sheet date are translated into euros at the exchange rate prevailing on the balance sheet date. Any exchange rate differences related to business operations are recognised as adjustments to sales and purchases. Exchange rate differences resulting from the translation of assets and liabilities denominated in foreign currencies are recognised in financial income and expenses.

The income statements of foreign subsidiaries have been translated into euros using average exchange rates quoted for the financial period and balance sheets using the exchange rate quoted on the balance sheet date. Any resulting exchange rate difference is recognised as a translation difference under shareholders' equity.

Exchange rate differences resulting from the translation of foreign subsidiaries' and associated companies' balance sheets are recognised under shareholders' equity. When a foreign entity is sold, cumulative translation differences are recognised in the income statement as part of the capital gain or loss.

Translation differences recorded before January 1, 2004 are recognised in retained earnings, as permitted by IFRS 1.

As of January 1, 2004, the goodwill and fair value adjustments arising on an acquisition are presented as assets and liabilities of the acquired entity and translated into euros using the exchange rate prevailing on the balance sheet date. Goodwill and value adjustments related to acquisitions prior to January 1, 2004 are recognised in euros.

Inflation accounting does not play any major role for the SanomaWSOY Group.

Segment reporting

Business segments are SanomaWSOY's primary segments. Geographical areas are secondary segments. Risks and returns related to products and services in one business segment are different from those of other business segments. In a similar manner, risks and returns of geographical segment within an economic environment differ from segment in other economic environment. Segment reporting is based on management control and internal reporting systems.

Segment reporting is described in more detail in Note 2.

Government grants

Grants from the government or other similar public entity are recognised in the income statement on a systematic basis over the period necessary to match them with the costs they are intended to compensate. Government grants related to the purchase of property, plant, and equipment are recognised as a deduction of the asset's book value and credited to the income statement over the asset's useful life.

The nature and extent of government grants are not significant within the SanomaWSOY Group.

Goodwill, intangible rights, and impairment testing

Acquired subsidiaries are consolidated using the acquisition cost method, whereby the acquisition cost is allocated to the acquired assets and liabilities at their fair value on the date of acquisition. Goodwill represents the excess of the acquisition cost over the fair value of the acquired company's net assets.

Goodwill is no longer amortised according to plan but is tested for impairment.

Intangible assets acquired in a business combination must be recognised separately from goodwill if assets fulfil the criteria set for these assets, i. e. they are identifiable, based on contractual or other legal rights, and if their fair value can be measured reliably. Intangible assets are initially measured at cost and amortised over the asset's expected useful life.

Intangible assets, for which expected useful lives cannot be determined, are not amortised according to plan, but are subject to an annual impairment testing. During the transition to IFRS, the Group assessed the nature of its intangible rights and classified them according to their expected useful lives. Although expected useful lives can principally be determined for intangible rights, for some publishing rights the useful life cannot be determined. With respect to the acquisition of new assets, the Group assesses the expected useful life of the intangible right, for example, in light of historical data and market position, and determines the useful life on the basis of the best knowledge available on the assessment date.

The Group has not capitalised any internally generated intangible assets as the Group's development activities do not meet the criteria set for recognising internally generated intangible assets.

The Group recognises the purchase of broadcasting rights to films and TV programmes in intangible assets and their expenditure is recorded as amortisation.

The carrying amounts of assets are reviewed whenever there is any indication of impairments, or at least once a year. The test assesses the asset's recoverable amount, which is the higher of the asset's net selling price and value in use based on future cash flows. Impairment tests are principally carried out on a cash flow basis by determining the present value of estimated future cash flows and allocating it to the Group's cash generating units (CGU).

The value-in-use calculations cover a five-year period. Cash flow estimates are based on strategic plans approved by management and the assumptions used in the strategic plans on the long-term development of the business environment. Terminal growth rate

used in the calculations is based on management's assessment on long-term growth, which is estimated by taking into account growth projections by country and the characteristics of each business. The terminal growth rate used varies from 1% to 5%. The discount rate applied to the cash flow is based on the Group's weighted average cost of capital, in view of country and business risks. Previously recognised impairment losses are reversed if this arises from a change in the assumptions used to calculate the recoverable amount. However, impairment losses are not reversed beyond the amount the asset had before recognising impairment losses. Impairment losses recognised for goodwill are not reversed under any circumstances.

Amortisation periods for intangible assets with finite useful lives are as follows:

- Intangible rights 2–40 yrs
- Other non-current assets 3–10 yrs

Property, plant, and equipment

Property, plant, and equipment (PPE) are measured at cost less depreciation and any impairment losses. The following depreciation periods, which are based on the estimated useful lives, apply to PPE:

- Buildings and structures 7–40 yrs
- Machinery and equipment 3–20 yrs
- Other tangible assets 3–10 yrs

Lease premises' renovation expenses are treated as other tangible assets in the balance sheet.

Major renovations are included in the assets' carrying amount only if it is probable that the Group will derive additional future economic benefits and that the carrying amount can be measured reliably. Ordinary repairs and maintenance costs are expensed as incurred.

Interest costs on borrowings in order to finance the construction are not capitalised.

Investment property

Properties are classified as investment property if the Group holds the property mainly to earn rental yields or for capital appreciation. Investment property is initially measured at cost and presented as a separate item in the balance sheet. Investment properties include buildings, land, and investment in shares of property and housing companies not in SanomaWSOY's own use. Based on their nature, such shareholdings are divided into land or buildings. The fair value of investment properties is presented in the notes to the financial statements. Fair values are determined by using the productive value method or on the basis of similar property deals carried out in the market, and they correspond to the properties' market value. Investment in shares consists of a number of small properties whose fair value the Group determines using the productive value method.

Other investments in property and housing companies

Investments in property and housing companies, which are for the most part held by SanomaWSOY for its own use, are classified as land or buildings, depending on which one has more relevance. Investments in shares are not subject to depreciation. Properties are measured at cost. Major mutual property companies are consolidated using the proportionate consolidation method.

Finance leases

Leases of property, plant, and equipment where the Group has substantially all the rewards and risks of ownership are classified as finance leases and capitalised as assets and liabilities for the lease period. Finance leases are recorded at the commencement of the lease period based on the estimated present value of the underlying minimum lease payments. The assets are depreciated during the lease term and lease payments are recognised as interest expenses and repayment of financial lease liabilities.

The Group has no leases classified as finance leases in which a Group company is a lessor.

Other leases are charged to other operating expenses and the total future minimum lease payments are presented as off-balance-sheet liabilities in the notes to the financial statements.

Inventories

Inventories are stated at the lower of cost or net realisable value, using the average cost method. The cost of finished goods and work in progress includes the purchase price, direct production wages, other direct production costs, and fixed production overheads to their substantial extent. Net realisable value is the estimated selling price, received as part of the normal course of business, less estimated costs necessary to complete the product and make the sale.

Financial instruments

SanomaWSOY utilises the exemption of IFRS 1 in applying IAS 32 and 39. Comparatives for 2004 related to financial instruments are prepared in accordance with the Finnish Accounting Standards, and the effects of IAS 32 and 39 have been taken into account in the opening balance sheet of January 1, 2005 by recording changes directly in shareholders' equity.

Financial instruments are classified in accordance with IAS 39. The Group holds loans and other receivables, available-for-sale financial assets and financial liabilities at amortised cost.

Loans and other receivables are assets with a fixed or definite series of payments. These assets are unlisted and not held for trading. Receivables are presented as current or non-current financial assets. Trade receivables are carried at the anticipated realisable value. An impairment of trade receivables is recorded when there is justified evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Available-for-sale financial assets are non-derivative assets which are either determined to be available-for-sale or for which other classification is not applicable. These assets are included in non-current assets unless the intention is to hold the investment

for less than 12 months from the balance sheet date. All non-current investments held by the Group are classified as available-for-sale and consist mainly of a number of assets not related to business operations. These investments are measured at fair value and any change in fair value is recognised in shareholders' equity if the fair value can be measured reliably. When investments are sold, any change in fair value is derecognised from shareholders' equity and recognised in the income statement. Available-for-sale financial assets do not contain publicly traded investments, and the fair value of these investments cannot be measured reliably. These assets are thus carried at cost and investments do not have any material effect on the consolidated balance sheet.

Financial liabilities are borrowings which are stated at amortised cost using the effective interest rate method. Financial liabilities comprise both non-current and current liabilities.

A more detailed description of the convertible capital note issued in 2001 can be found in Note 22.

Derivatives and hedge accounting

Derivatives are initially recognised at cost and subsequently measured at their fair value. The Group concludes derivative contracts to control its risk profile for hedging purposes, applying mainly to interest rate risks. However, the SanomaWSOY Group does not apply hedge accounting according to the requirements of IAS 39. Changes in the fair value of derivatives are recognised as financial items in the income statement. Derivative contracts are shown in other current receivables and liabilities in the balance sheet. A more detailed description of the Group's financial risk management principles can be found in Note 26.

Cash and cash equivalents

Cash and cash equivalents include bank accounts and short-term deposits with a maturity of less than 3 months. Bank overdrafts are shown under short-term liabilities in the balance sheet.

Income taxes

Income tax charge presented in the income statement is based on taxable profit for the financial period, adjustments for previous periods' taxes, and changes in deferred taxes. Taxable profit for the period is based on the tax rate effective in each country.

Deferred tax assets and liabilities are recorded on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts, using tax rates enacted on the balance sheet date. Changes in the tax rate are recorded as change in deferred tax in the income statement. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the deductible temporary difference can be utilised. The most significant temporary differences relate to depreciation differences, defined benefit pension plans, subsidiaries' tax losses carried forward, and the fair valuation of assets when acquiring businesses.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made.

Stock options

The SanomaWSOY Group has two stock option schemes in place: the Warrant Scheme 2001 and the Stock Option Scheme 2004, both schemes covering a maximum of 4,500,000 stock options. Each stock option entitles its holder to subscribe for one SanomaWSOY Series B share.

The Group has applied IFRS 2 as of January 1, 2004. Stock options are measured at fair value on the grant date and charged to personnel expenses by division over the instrument's vesting period. SanomaWSOY uses the Black-Scholes option-pricing model to measure stock option fair values. The fair values are based on the estimated total number of stock options outstanding at the end of respective vesting period. The estimate is adjusted when necessary and the final number of outstanding stock options is taken into account when recording the actual expense at the end of the vesting period.

Note 20 provides a more detailed description of the treatment and number of stock options.

Revenue recognition

Revenue from the sale of goods is recognised when the risks and rewards related to goods ownership have been transferred to the buyer and the seller no longer has possession of, and control over, the goods. Sales of goods subject to subscription (magazines/newspapers) are recognised as revenue at the time of their delivery to customers. Sales of services are recognised once the service has been rendered. Net sales derive from sales net of discounts granted, indirect taxes, and sales-related exchange rate differences. Net sales generated by commission sales include commissions. Press distribution is treated as commission sales and only its commission is recognised in net sales.

Research and development expenses

R&D expenses are expensed as incurred.

R&D expenditure refers to costs charged to expenses that the company incurs with the aim of developing new products or services for sale, or fundamentally improving the features of its existing products or services, as well as extending its business. R&D expenses are mainly incurred before the company begins to make use of the new product/service for commercial or profitable purposes.

The Group mainly applies a maximum of two-year lead times to its development projects. For instance, a new magazine's launch expenses are included in development expenses for the first two years only.

Pensions

The Group's pension schemes in different countries are arranged in accordance with local requirements and legislation. Pensions schemes are classified into two categories: defined contribution plans and defined benefit plans. In addition to TEL insurance policies (based on the Employees' Pensions Act), the Group also has pension funds in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. All of the schemes managed by the pension funds are classified as defined benefit plans. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

Contributions under defined contribution plans are expensed as incurred, and once they are paid to insurance companies, the Group has no obligation to pay further contributions.

Within the defined benefit plan, pension obligations or pension assets represent the present value of future pension payments less the fair value of the plan assets and net of unrecognised actuarial gains or losses. Pension expenses under the defined benefit plan are recognised as expenses for the remaining working lives of the employees within the plan. Actuarial gains or losses are recognised in the income statement for the remaining average period of employment to the extent they exceed 10% of the greater of the present value of the pension obligations within the defined benefit plan, and the fair value of the plan assets. The Group has applied the exemption permitted by IFRS 1, whereby all accumulated actuarial gains or losses are recognised in the opening balance sheet.

Application and interpretation of new standards under IFRS

IASB has issued the standards and interpretations listed below which will take effect in 2006 or later. SanomaWSOY has decided not to adopt these early and they will be applied in future financial years.

The Group will apply the following standards and interpretations in 2006. It is estimated that the adoption of these will not have a material effect on the future consolidated financial statements.

- IAS 19 (Amendment), Employee Benefits
- IAS 21 (Amendment), Net Investment in a Foreign Operation *
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions
- IAS 39 (Amendment), The Fair Value Option
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee *
- IFRIC 4, Determining Whether an Arrangement Contains a Lease

The following standards effective in 2006 will not have an effect on the financial statements of the Group.

- IFRS 1 (Amendment), First-time Adoption of IFRS
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRIC 5, Rights to Interest arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment *
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies *
- IFRIC 8, Scope of IFRS 2

The Group will apply, in 2007, the following standard issued by IASB.

- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment of IAS 1 *

* EU approval for these standards and interpretations is pending.

2. SEGMENT INFORMATION

Business segments

Primary segments of the SanomaWSOY Group are business segments. Business segments are comprised of Sanoma Magazines, Sanoma, WSOY, SWelcom, and Rautakirja.

Sanoma Magazines

Sanoma Magazines is one of the five largest consumer magazine publishers in Europe. The Division serves its readers and advertisers through 289 titles in 12 countries. Sanoma Magazines is also expanding its business to other media platforms, with a strong focus on interactivity.

Sanoma

Sanoma is the leading newspaper publisher in Finland. In addition to Helsingin Sanomat, the largest subscription-based daily in the Nordic region, the Division publishes national and regional daily newspapers, local papers, and free sheets, as well as related online editions and services.

WSOY

WSOY is Finland's leading book publisher and a significant European educational publisher.

SWelcom

SWelcom is engaged in the field of electronic media. Its TV channel Nelonen is Finland's third largest medium in terms of advertising sales, while Welho (formerly Helsinki Television, or HTV) is the largest cable television company and a major provider of broadband services in Finland.

Rautakirja

Rautakirja is the market leader in kiosk operations, press distribution, and movie theatres in Finland and the Baltic countries. It also leads the Finnish market for bookstores. Its press distribution business has also expanded into the Russian and Romanian markets and its bookstore operations into the Estonian market.

Unallocated/eliminations

In addition to the Group eliminations column unallocated/eliminations includes SanomaWSOY Corporation and real estate companies, and taxes not allocated to segments.

Geographical segments

The SanomaWSOY Group's geographical segments are reported as secondary segments. The segments are Finland, other EU countries, and other countries. Segment income is stated by customer location, and assets and investments by location of the assets. Investments in subsidiaries are not allocated to geographical segments. Goodwill is allocated according to location of the target entity.

Divisions 2005, EUR million	Sanoma Magazines	Sanoma	WSOY	SWelcom	Rautakirja	Unallocated/ eliminations	Consolidated
External net sales	1 179.8	440.9	275.5	119.0	609.0	-1.9	2 622.3
Internal net sales	2.1	5.5	18.9	3.5	27.0	-56.9	0.0
Depreciation and impairment losses	28.7	28.2	11.6	36.6	24.8	0.7	130.6
Operating profit	129.1	59.1	55.8	9.6	51.2	-3.5	301.3
Share of result of associated companies	10.4	0.2	0.0	-0.2	-0.7		9.8
Gross investments	206.9	22.9	8.1	11.1	111.5	0.6	361.2
Goodwill	1 062.4	45.9	158.4	17.8	30.8	13.9	1 329.3
Interest in associated companies	55.1	1.9	0.1	0.5	3.4		61.0
Total assets	1 714.4	469.3	477.1	123.5	391.2	-203.4	2 972.0
Liabilities	812.0	146.6	196.0	74.3	200.5	383.7	1 813.0
Cash flow from operations	101.1	74.2	45.0	12.2	64.0	-35.7	260.9
Cash flow from investments	-156.9	-13.4	16.3	-9.9	-11.7	10.8	-164.7
Cash flow from financing	-31.2	-81.2	-31.7	0.1	-117.8	168.0	-93.8
Personnel, average (full-time equivalents)	4 716	2 388	2 123	385	4 577	67	14 256

Divisions 2004, EUR million	Sanoma Magazines	Sanoma	WSOY	SWelcom	Rautakirja	Unallocated/ eliminations	Consolidated
External net sales	1 096.0	429.4	235.1	114.4	633.2	-3.6	2 504.6
Internal net sales	1.9	5.8	18.8	3.1	26.5	-56.0	0.0
Depreciation and impairment losses	24.6	30.0	9.3	35.1	22.0	4.0	125.0
Operating profit	139.7	70.8	29.1	9.6	47.2	0.3	296.7
Share of result of associated companies	5.0	0.2	0.1	-0.1	-1.4		3.8
Gross investments	20.0	24.9	204.7	10.7	18.0	3.4	281.6
Goodwill	988.7	45.9	162.5	17.8	23.6	14.3	1 252.8
Interest in associated companies	44.7	1.7	0.1	0.7	2.2		49.5
Total assets	1 565.6	473.3	478.0	113.6	363.4	-300.4	2 693.6
Liabilities	782.6	169.2	225.7	76.3	195.0	258.8	1 707.6
Cash flow from operations	90.2	78.2	46.0	17.4	39.3	-30.0	241.2
Cash flow from investments	-0.6	19.5	-68.7	-7.4	-17.3	51.5	-23.1
Cash flow from financing	-19.4	-58.7	-55.5	-10.1	-15.3	-79.6	-238.6
Personnel, average (full-time equivalents)	3 992	2 389	2 025	378	4 795	73	13 651

Geographical segments 2005, EUR million	Finland	Other EU countries	Other countries	Eliminations	Consolidated
Net sales	1 334.7		1 171.1	116.4	2 622.3
Total assets	1 396.5		1 871.1	232.8	2 972.0
Gross investments	155.6		201.6	4.0	361.2

Geographical segments 2004, EUR million	Finland	Other EU countries	Other countries	Eliminations	Consolidated
Net sales	1 377.5		1 088.2	38.9	2 504.6
Total assets	1 259.6		1 884.2	32.8	2 693.6
Gross investments	66.1		215.2	0.4	281.6

3. ACQUISITIONS AND DISPOSALS

Specification of acquired assets and liabilities, EUR million	2005	2004
Non-current assets	181.8	61.4
Inventories	3.6	43.6
Other current assets	37.1	30.8
Assets, total	222.5	135.8
Non-current liabilities	-33.8	-157.1
Current liabilities	-98.9	-61.4
Liabilities, total	-132.8	-218.5
Minority interest	-0.4	-0.9
New goodwill from acquisitions	82.3	163.9
Acquisition cost	167.8	80.3
Change in acquisition liabilities and advance payments	-4.4	-0.8
Cash and cash equivalents of operations acquired	-12.5	-4.6
Cash flow from operations acquired	154.8	74.9

Acquisitions in 2005

SanomaWSOY's most significant acquisition in 2005 was the purchase of Independent Media Holding B.V. in January. Independent Media is the leading magazine publisher in Russia with operations mainly in Russia and the Ukraine. The acquired entities were consolidated with SanomaWSOY figures as of March 1, 2005. Some of the entities are joint ventures. SanomaWSOY's consolidated share of Independent Media's net sales in March–December 2005 amounted to EUR 64.3 million and of operating profit to EUR 7.0 million. Operating profit includes amortisation of publishing rights. Due to different accounting principles applied by Independent Media before the acquisition, pro forma information for full year 2005 is impracticable. In 2005, other acquisitions than Independent Media were not material considering the size of the Group. For a few small acquisitions, which were completed in the latter part of the year, the initial accounting in the financial statements is still provisional.

It has been assessed whether the useful life of the publishing rights recognised on the acquisition of Independent Media is definite or indefinite. For the majority of the publishing rights a definite useful life can be determined and these assets are amortised accordingly. The amortisation period is 2–23 years based on the expected useful lives. The total amount of publishing rights includes also assets for which a definite useful life cannot be determined. These assets with indefinite useful lives are not amortised regularly but tested annually for impairment. The table below illustrates the effect of the Independent Media acquisition on the balance sheet.

Specification of acquired net assets, Independent Media, EUR million	Fair value	Carrying amounts in acquired unit
Tangible assets	0.6	0.6
Publishing rights	91.8	
Other intangible assets	0.0	0.0
Other non-current assets	4.7	4.7
Inventories	0.5	0.5
Other current assets	24.5	24.5
Assets, total	122.1	30.4
Deferred tax liabilities	-22.0	0.0
Other non-current liabilities	-3.8	-3.8
Current liabilities	-14.1	-14.1
Liabilities, total	-39.9	-17.9
Minority interest	0.0	0.0
Net assets	82.2	12.4
Acquisition cost	147.8	
Goodwill	65.6	
Purchase price paid in cash	146.8	
Costs attributable to the acquisition	1.0	
Cash and cash equivalents of acquired unit	-8.9	
Cash flow from the acquisition	138.9	

Acquisitions in 2004

The acquisition of Malmberg Investments B.V. was the most significant business combination in 2004. The company is one of the leading educational publishers in both the Netherlands and Belgium. Malmberg's figures were consolidated with SanomaWSOY retrospectively as of July 15 in the fourth quarter. Net sales for July 15–December 31, 2004 amounted to EUR 45.1 million and of operating profit to EUR 7.8 million. Due to different accounting principles applied by Malmberg before the acquisition, pro forma information for full year 2004 is impracticable. Other acquisitions in 2004 were small considering the size of the Group, and the impact on Group assets and liabilities was minor.

The useful life of the intangible assets recognised on the acquisition of Malmberg has been assessed. The amortisation period is 40 years. The table below illustrates the effect of the Malmberg acquisition on the balance sheet.

Specification of acquired net assets, Malmberg, EUR million	Fair value	Carrying amounts in acquired unit
Tangible assets	4.3	4.3
Goodwill		126.3
Other intangible assets	51.4	0.3
Other non-current assets	5.0	5.0
Inventories	41.4	37.0
Other current assets	26.7	26.7
Assets, total	128.8	199.7
Deferred tax liabilities	-23.8	-6.3
Pension obligations	-12.3	-12.3
Other non-current liabilities	-120.7	-120.7
Current liabilities	-59.4	-59.4
Liabilities, total	-216.3	-198.8
Net assets	-87.4	0.9
Acquisition cost	69.0	
Goodwill	156.4	
Purchase price paid in cash	64.7	
Costs attributable to the acquisition	2.7	
Cash and cash equivalents of acquired unit	-3.3	
Cash flow from the acquisition	64.1	

Disposals

Focusing on the core businesses continued in 2005. The most significant operations divested were Ajasto Group (diaries), Lönberg Painot (printing), and CZ Retail (Czech kiosk operations). In 2004, disposals comprised several smaller entities. The combined effect of the disposals on the balance sheet is presented below.

Specification of disposed assets and liabilities, EUR million	2005	2004
Non-current assets	26.0	1.7
Inventories	11.2	0.2
Other current assets	21.2	1.9
Assets, total	58.4	3.8
Non-current liabilities	-4.8	0.0
Current liabilities	-30.8	-1.5
Liabilities, total	-35.6	-1.5
Minority interest and accumulated translation differences	-0.7	0.0
Net result from sales of operations	27.8	1.9
Sales price	49.9	4.2
Change in proceeds from sales and advance payments	-9.9	10.4
Cash and cash equivalents of disposals	-2.4	-0.8
Cash flow from disposals	37.6	13.8

4. OTHER OPERATING INCOME

Other operating income, EUR million	2005	2004
Capital gains	38.1	37.1
Rental income from investment property	2.1	4.0
Other rental income	12.2	14.0
Other	28.3	26.6
Total	80.7	81.7

Major capital gains are related to the sale of non-core assets. In addition to those, capital gains include ordinary sales of fixed assets.

5. PERSONNEL EXPENSES

Personnel expenses, EUR million	2005	2004
Wages, salaries, and fees	457.2	441.4
Expense recognition of granted options	4.6	3.2
Pension costs, defined contribution plans	40.7	42.3
Pension costs, defined benefit plans	22.8	22.6
Other social expenses	49.3	46.3
Total	574.7	555.8

Wages, salaries, and other compensations for key management have been presented in Note 31. Share-based payments are described in Note 20.

Employee benefits

The SanomaWSOY Group has various schemes for personnel's pension cover. Pension schemes are arranged in accordance with local requirements and legislation. In Finland statutory pension cover is handled both through Finnish TEL system and pension funds. In addition, some voluntary pension coverage has been arranged through pension funds. Pension schemes are described in more detail in accounting principles (Note 1).

Defined benefit plans exist both in and outside Finland. All defined benefit plans are arranged via pension funds. The actuarial calculations for the Group's defined benefit pension plans have been prepared by external actuaries. In addition to pension plans, the SanomaWSOY Group has no other defined benefit plans.

The reconciliation of net pension obligations and break-down of pension costs are presented in the following tables. In addition, the most significant actuarial assumptions are presented.

Reconciliation of defined benefit plans

Pension assets and pension obligations, EUR million	2005	2004
Present value of unfunded pension obligations	0.9	0.6
Present value of funded obligations	341.5	347.5
Fair value of plan assets	-343.5	-301.9
Unrecognised actuarial gains(+) and losses(-)	49.1	-7.3
Total	48.1	38.9

Change in net liability in the balance sheet, EUR million	2005	2004
Net liability at Jan. 1	38.9	19.3
Translation differences	0.0	
Acquired operations		12.3
Pension costs recognised in the income statement	22.8	22.6
Contributions paid	-13.6	-15.3
Net liability at Dec. 31	48.1	38.9

Pension costs recognised in the income statement, EUR million	2005	2004
Current service costs	24.5	18.4
Interest cost	17.4	16.4
Expected return on plan assets	-18.2	-17.7
Actuarial gains(-) and losses(+)	0.0	
Past service cost	2.0	5.4
Effect of curtailments and settlements	-3.0	
Total	22.8	22.6

Principal actuarial assumptions	2005	2004
Discount rate, %	4.5–5.0	4.5–5.0
Expected return on plan assets, %	4.5–6.5	4.0–6.3
Expected future salary increase, %	1.0–5.9	1.0–5.9
Expected future pension increases, %	0.6–2.4	2.0–2.4
Turnover of personnel, %	0–10	0–10
Expected remaining working years of personnel, years	4–25	5–26

6. OTHER OPERATING EXPENSES

Other operating expenses, EUR million	2005	2004
Losses on sales	0.5	2.8
Operating costs of investment property	1.1	1.7
Rents	66.4	65.6
Advertising and marketing	182.2	166.0
Office and IT expenses	73.6	68.5
Other	194.8	163.9
Total	518.6	468.6

Research and development expenditure recorded as expenses amounted to EUR 16.2 million (2004: EUR 16.9 million).

7. FINANCIAL ITEMS

Financial items, EUR million	2005	2004
Dividend income	1.4	4.6
Interest income	3.7	5.3
Capital gains of securities *		7.1
Changes in fair values of derivatives, no hedge accounting	1.3	
Exchange rate gains	3.1	1.5
Other financial income	1.1	2.0
Financial income total	10.6	20.5
Interest expenses	30.3	34.4
Sales losses of available-for-sale financial assets	0.0	0.0
Exchange rate losses	2.7	2.2
Other financial losses	2.6	12.7
Financial expenses total	35.7	49.3
Total	-25.1	-28.8

* Capital gains of securities in 2004 comprised of gains on shares and interest rate instruments. IAS 32 and 39 standards were not applied in 2004 and securities were valued at cost or at fair values if lower.

Exchange rate gains and losses included in operating profit, EUR million	2005	2004
Net sales	-0.1	0.1
Other operating income	0.0	0.1
Expenses	0.0	0.1
Total	-0.1	0.2

8. INCOME TAXES AND DEFERRED TAXES

Income taxes, EUR million	2005	2004
Taxes on operational income for the financial year	71.3	72.1
Income taxes from previous periods	-6.5	-4.1
Change in deferred tax due to change in tax rate	-0.2	-2.1
Other change in deferred tax	-7.0	1.9
Tax expense in the income statement	57.6	67.8

Income tax reconciliation against local tax rates, EUR million	2005	2004
Tax calculated at (Finnish) statutory rate	74.4	78.8
Effect of different tax rates in the operating countries	2.6	3.2
Tax based on tax rate in each operating country	77.0	81.9
Non taxable income	-10.6	-8.8
Non deductible depreciation and impairment losses	0.6	0.6
Other non deductible expenses	4.5	9.4
Deductible depreciation	-1.4	-2.2
Non-recorded deferred tax receivables on losses	-0.3	-5.2
Tax relating to previous accounting periods	-6.5	-4.1
Change in deferred tax due to change in tax rate	-0.2	-2.1
Other items	-5.5	-1.7
Income taxes in the income statement	57.6	67.8

Deferred tax receivables and liabilities 2005, EUR million	At Jan. 1	Recorded in the income statement	Operations acquired/sold	Change in tax rate	Translation and other items	At Dec. 31
Deferred tax receivables						
Internal margin in inventories	1.9	0.0			-0.1	1.8
Provisions	1.6	0.0			0.1	1.6
Tax losses carried forward	32.0	-7.3		-0.1	0.1	24.6
Impairment losses of tangible non-current assets	3.3	-1.3				2.1
Pension obligations, defined benefit plans	18.6	2.5		-1.0	-1.0	19.1
Other items	4.5	-1.4	1.2	0.0	-0.2	4.0
Total	61.8	-7.5	1.2	-1.1	-1.2	53.2
Deferred tax liabilities						
Fair value adjustments in acquisitions	16.1	-1.2	23.0	-0.9	2.0	39.0
Depreciation difference and other untaxed reserves	32.8	-0.1	-1.3	0.0	0.7	32.2
Equity component of convertible capital note	2.6	-0.5				2.1
Derivative contracts recognised at fair value	0.0	0.0				0.0
Pension assets, defined benefit plans	5.4	-0.1			-1.0	4.3
Other items	27.1	-12.6	-0.3	-0.3	-1.1	12.8
Total	84.0	-14.4	21.5	-1.3	0.6	90.4

Deferred tax receivables and liabilities 2004, EUR million	At Jan. 1	Recorded in the income statement	Operations acquired/sold	Change in tax rate	Translation and other items	At Dec. 31
Deferred tax receivables						
Internal margin in inventories	1.9	0.0		0.0	0.0	1.9
Provisions	0.1	1.4			0.0	1.6
Tax losses carried forward	37.0	-2.4	0.1	-3.0	0.3	32.0
Impairment losses of tangible non-current assets	4.0	-0.6		0.0		3.3
Pension obligations, defined benefit plans	15.8	0.2	4.1	-1.6		18.6
Other items	7.8	-3.7	-0.1	-0.1	0.1	4.0
Total	66.7	-5.1	4.1	-4.8	0.5	61.4
Deferred tax liabilities						
Fair value adjustments in acquisitions		-1.4	17.5			16.1
Depreciation difference and other untaxed reserves	34.7	1.5	0.0	-3.5	0.2	32.8
Pension assets, defined benefit plans	8.0	-2.0		-0.6		5.4
Other items	24.3	-1.3	6.6	-2.7	0.3	27.1
Total	67.0	-3.2	24.0	-6.9	0.4	81.4

Due to unlikely use of tax benefits in the coming years, deferred tax receivables of EUR 3.7 million (2004: EUR 4.6 million) have not been recorded in the consolidated balance sheet. These unrecognised receivables relate mainly to tax losses carried forward of subsidiaries. Deferred tax liability of EUR 1.5 million (2004: EUR 1.2 million) on undistributed earnings of subsidiaries has not been recognised in consolidated figures, as such distribution is not probable within

foreseeable future. These unrecognised receivables are related to earnings, for which tax payment would be realised when distributing dividends.

Implementation of IAS 32 and 39 standards as of January 1, 2005 increases the deferred tax assets and liabilities in opening balance sheet of 2005 compared to December 31, 2004.

9. EARNINGS PER SHARE

Earnings per share	2005	2004
Result attributable to the equity holders of the Parent Company, EUR million	224.0	200.0
Weighted average number of shares, thousands	154 239	153 112
Earnings per share, EUR	1.45	1.31

Diluted earnings per share is calculated by adjusting average number of shares so that both the convertible capital note and option schemes are taken into account. Options have diluted effect, when the exercise price is lower than the market value of the share. The diluting effect is the number of gratuitous shares, because the received funds from the exercised options do not cover the issue of new shares at their fair values. The fair value of share is determined as the average market price of the shares during the period. The conversion of the convertible capital note is considered exercised in the beginning of the period and the result for the period is adjusted by the interest expenses of the capital note, net of tax.

Diluted earnings per share	2005	2004
Result attributable to the equity holders of the Parent Company, EUR million	224.0	200.0
Interest expenses of the capital note, net of tax, EUR million	4.6	5.6
Weighted average number of shares, thousands	154 239	153 112
Effect of options, thousands	984	578
Effect of capital note, thousands	5 677	9 463
Diluted average number of shares, thousands	160 900	163 154
Diluted earnings per share, EUR	1.42	1.26

10. PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment 2005, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible assets	Advance payments	Total
Acquisition cost at Jan. 1, 2005	41.8	322.0	593.0	64.5	2.4	1 023.5
Increases		19.1	37.6	6.2	4.7	67.6
Acquisition of operations	0.1	74.6	21.0	1.0		96.7
Decreases	-1.4	-4.7	-47.2	-1.6	-0.1	-55.0
Disposals of operations	-0.4	-7.1	-44.3	-1.9	-0.2	-54.0
Reclassifications		7.7	2.3	1.1	-3.4	7.7
Exchange rate differences	0.0	0.1	0.5	0.2	0.0	0.8
Acquisition cost at Dec. 31, 2005	40.1	411.7	562.8	69.4	3.4	1 087.4
Accumulated depreciation and impairment losses at Jan. 1, 2005	-0.7	-82.4	-410.0	-33.8		-526.8
Decreases, disposals and acquisitions	0.7	2.0	67.3	0.8		70.9
Depreciation for the period		-13.2	-43.4	-5.6		-62.2
Impairment losses for the period			-0.1	0.0		-0.1
Reclassifications		-1.6	0.3	-0.9		-2.2
Exchange rate differences		0.0	-0.4	-0.1		-0.4
Accumulated depreciation and impairment losses at Dec. 31, 2005		-95.2	-386.3	-39.5		-520.9
Carrying amount at Dec. 31, 2005	40.1	316.5	176.6	29.9	3.4	566.5

Property, plant, and equipment 2004, EUR million	Land and water	Buildings and structures	Machinery and equipment	Other tangible asset	Advance payments	Total
Acquisition cost at Jan. 1, 2004	40.8	311.0	662.8	55.1	3.4	1 073.1
Increases	0.0	1.8	32.5	8.4	4.2	46.9
Acquisition of operations	1.4	6.6	6.5	0.1	0.4	14.9
Decreases	-0.5	-1.6	-107.8	-10.4	0.0	-120.3
Disposals of operations			-3.9			-3.9
Reclassifications	0.0	4.0	2.4	11.3	-5.7	12.0
Exchange rate differences	0.0	0.2	0.5	0.0	0.0	0.8
Acquisition cost at Dec. 31, 2004	41.8	322.0	593.0	64.5	2.4	1 023.5
Accumulated depreciation and impairment losses at Jan. 1, 2004		-69.6	-465.5	-31.0		-566.1
Decreases, disposals and acquisitions	0.0	-2.4	102.0	9.5		109.1
Depreciation for the period		-9.8	-46.6	-6.3		-62.8
Impairment losses for the period	-0.7		-0.2	0.0		-0.9
Reclassifications		-0.5	0.8	-6.0		-5.7
Exchange rate differences		0.0	-0.3	0.0		-0.4
Accumulated depreciation and impairment losses at Dec. 31, 2004	-0.7	-82.4	-410.0	-33.8		-526.8
Carrying amount at Dec. 31, 2004	41.0	239.6	183.0	30.7	2.4	496.7

Carrying amount of land and water include value appreciations in 2005 totalling EUR 3.6 million (2004: EUR 7.8 million) and buildings and structures accordingly EUR 9.0 million (2004: EUR 9.0 million).

Carrying amount of assets leased by finance lease agreements, EUR million	2005	2004
Buildings and structures	21.7	8.7
Machinery and equipment	2.6	3.0
Total	24.3	11.7

11. INVESTMENT PROPERTY

Investment property 2005, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at Jan. 1, 2005	11.4	28.3	39.8
Decreases	-4.4	-12.0	-16.4
Reclassifications *		-4.9	-4.9
Acquisition cost at Dec. 31, 2005	7.0	11.4	18.4
Accumulated depreciation and impairment losses at Jan. 1, 2005		-7.6	-7.6
Decreases		2.5	2.5
Depreciation for the period		-0.2	-0.2
Impairment losses for the period		-0.9	-0.9
Accumulated depreciation and impairment losses at Dec. 31, 2005		-6.3	-6.3
Carrying amount at Dec. 31, 2005	7.0	5.1	12.1
Fair values at Dec. 31, 2005	26.9	6.9	33.8
* Reclassifications between investment property and owner-occupied property			

Investment property 2004, EUR million	Land and water	Buildings and structures	Total
Acquisition cost at Jan. 1, 2004	11.6	38.4	50.1
Increases	0.2		0.2
Decreases	-0.4	-11.3	-11.7
Reclassifications *		1.2	1.2
Acquisition cost at Dec. 31, 2004	11.4	28.3	39.8
Accumulated depreciation and impairment losses at Jan. 1, 2004		-5.2	-5.2
Decreases		1.8	1.8
Depreciation for the period		-0.4	-0.4
Impairment losses for the period		-3.8	-3.8
Accumulated depreciation and impairment losses at Dec. 31, 2004		-7.6	-7.6
Carrying amount at Dec. 31, 2004	11.4	20.7	32.1
Fair values at Dec. 31, 2004	26.6	29.9	56.5
* Reclassifications between investment property and owner-occupied property			

Fair values of investment property have been determined by using either productive value method or using the information of equal real estate business transactions in the market. Estimates are equivalent to the real estate market values.

Operating expenses of investment property, EUR million	2005	2004
Investment property that generate rental income	1.0	1.6
Investment property, no rental income	0.1	0.1
Total	1.1	1.8

12. INTANGIBLE ASSETS

Intangible assets 2005, EUR million					Advance pay- ments	Total
	Goodwill	Immaterial rights	Other intangible assets			
Acquisition cost at Jan. 1, 2005	1 494.5	417.7	83.3	9.5	2 005.0	
Increases		73.0	12.1	3.2	88.3	
Acquisition of operations	82.3	93.2	0.2		175.8	
Decreases	-14.5	-4.0	-10.4	0.0	-28.8	
Disposal of operations	-9.5	-2.6	-0.3		-12.4	
Reclassifications		-2.0	-2.5	0.8	-3.6	
Exchange rate differences	3.0	9.8	0.0		12.8	
Acquisition cost at Dec. 31, 2005	1 555.9	585.1	82.5	13.6	2 237.1	
Accumulated amortisation and impairment losses at Jan. 1, 2005	-241.7	-255.9	-64.4	0.0	-562.0	
Decreases, disposals, and acquisitions	16.8	6.3	8.2		31.4	
Amortisation for the period		-58.6	-6.7		-65.3	
Impairment losses for the period	-1.7	-0.1	-0.1		-1.9	
Reclassifications	0.0	-0.2	3.2		3.1	
Exchange rate differences	0.0	0.0	0.0		0.0	
Accumulated depreciation and impairment losses at Dec. 31, 2005	-226.6	-308.4	-59.8	0.0	-594.8	
Carrying amount at Dec. 31, 2005	1 329.3	276.8	22.7	13.6	1 642.3	

Intangible assets 2004, EUR million					Advance pay- ments	Total
	Goodwill	Immaterial rights	Other intangible assets			
Acquisition cost at Jan. 1, 2004	1 304.5	324.7	94.2	11.9	1 735.4	
Increases		47.5	7.3	1.1	56.0	
Acquisition of operations	178.7	54.1			232.8	
Decreases	-11.5	1.3	-5.5		-15.6	
Disposal of operations	-1.8	-0.6	-0.1		-2.5	
Reclassifications	24.1	-12.3	-12.6	-3.5	-4.4	
Exchange rate differences	0.3	3.1	0.0		3.4	
Acquisition cost at Dec. 31, 2004	1 494.5	417.7	83.3	9.5	2 005.0	
Accumulated amortisation and impairment losses at Jan. 1, 2004	-237.6	-202.0	-71.7	0.0	-511.4	
Decreases, disposals, and acquisitions	-2.8	-5.4	8.6		0.4	
Amortisation for the period		-49.0	-6.5		-55.5	
Impairment losses for the period	-1.5	0.0	-0.1		-1.6	
Reclassifications	0.3	1.0	5.3		6.6	
Exchange rate differences	0.0	-0.5	0.0		-0.5	
Accumulated depreciation and impairment losses at Dec. 31, 2004	-241.7	-255.9	-64.4	0.0	-562.0	
Carrying amount at Dec. 31, 2004	1 252.8	161.8	18.9	9.5	1 443.0	

The carrying amount of intangible assets with indefinite useful lives is EUR 66.4 million (2004: EUR 40.8 million). All these assets are related to Sanoma Magazines Division. No useful lives have been assessed for these assets and they are not amortised.

Impairment testing is described in accounting principles (Note 1). The discount rate used in impairment testing in 2005 was 7.3% in major markets and 8.9% in some smaller market areas.

13. INTEREST IN ASSOCIATED COMPANIES

Interest in associated companies, EUR million	2005	2004
Carrying amount at Jan. 1	49.5	68.1
Share of result	9.8	3.8
Dividends	-1.6	-11.6
Increases	3.2	0.3
Decreases and other changes	-0.1	-11.5
Translation differences	0.2	0.4
Carrying amount at Dec. 31	61.0	49.5

Carrying amount of associated companies at December 31, 2005 includes goodwill of EUR 8.3 million (2004: EUR 7.1 million). No losses in associated companies not recognised in the consolidated figures exist.

Most significant associated companies 2005, EUR million	Line of business	Domicile	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
SANOMA MAGAZINES							
<i>Sanoma Magazines Finland</i>							
Hansaprint Oy *	Printing	Finland	40.0				
<i>Sanoma Magazines International</i>							
Stratosféra s.r.o. *	Magazine publishing	The Czech Republic	30.0				
RAUTAKIRJA							
Jokerit HC Oy **	Sports activity	Finland	36.4	44.3	19.0	23.3	4.9
* Figures for 2005 not available by the date of completing the financial statements of SanomaWSOY							
** Figures from financial year 1.5.2004–30.4.2005							

Most significant associated companies 2004, EUR million	Line of business	Domicile	Participation of the Group, %	Assets	Liabilities	Net sales	Profit/loss
SANOMA MAGAZINES							
<i>Sanoma Magazines Finland</i>							
Hansaprint Oy	Printing	Finland	40.0	140.7	51.0	173.6	10.5
<i>Sanoma Magazines International</i>							
Stratosféra s.r.o.	Magazine publishing	The Czech Republic	30.0	4.2	1.0	13.2	1.2
RAUTAKIRJA							
Jokerit HC Oy *	Sports activity	Finland	36.4	127.8	107.5	28.4	-4.0
* Figures from financial year 1.5.2003–30.4.2004							

Associated company transactions, EUR million	2005	2004
Sales of goods to associated companies	5.7	5.3
Rendering of services to associated companies	0.8	2.0
Purchases of goods from associated companies	36.2	24.7
Receiving of services from associated companies	17.5	7.0
Outstanding receivables and liabilities against associated companies, EUR million	2005	2004
Non-current receivables from associated companies	1.7	6.9
Current receivables from associated companies	2.0	2.6
Non-current liabilities to associated companies	0.8	
Current liabilities to associated companies	2.2	1.4

Sales of goods and rendering of services to associated companies are based on the Group's effective market prices, and interest on loans is based on market interest rates. Long-term receivables include mainly loan receivables.

Other related party transactions with associated companies

During 2005, there were no other significant transactions or other related party arrangements with associated companies. In 2004, loan receivable from associated companies of EUR 6.1 million was recognised as credit loss.

14. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets, EUR million	2005	2004
Available-for-sale financial assets, non-current	22.8	21.2
Available-for-sale financial assets, current	0.5	0.5
Total	23.2	21.6

Available-for-sale financial assets include mainly investments to shares. These assets are non-listed shares, for which fair values cannot be reliably measured. Assets are valued at cost less potential impairment losses.

The SanomaWSOY Group applied IAS 32 and 39 standards as of January 1, 2005. Comparative data has been prepared according to FAS principles, but in balance sheet classification the IFRS terminology has been applied accordingly.

15. OTHER RECEIVABLES, NON-CURRENT

Other receivables, non-current, EUR million	2005	2004
Trade receivables	1.3	1.5
Accrued income	5.9	5.8
Loan receivables	9.6	16.6
Advance payments	0.5	4.3
Pension assets *	16.7	20.7
Other receivables	3.6	0.8
Total	37.7	49.7
Receivables from associated companies		
Loan receivables	1.7	6.9
Total	1.7	6.9
* Pension assets, see Note 5		

The fair values of receivables do not significantly differ from the carrying amounts of receivables. The interests of loan receivables are based on the market interest rates and receivables on repayments plans determined in advance. No major concentration of credit risks are involved and the carrying amounts best implicate the amount that will be collected.

16. INVENTORIES

Inventories, EUR million	2005	2004
Materials and supplies	8.3	10.0
Work in progress	28.1	31.9
Finished products/goods	106.4	101.5
Other inventories	0.9	0.6
Advance payments	0.4	0.3
Total	144.0	144.2

In 2005, EUR 1.1 million (2004: EUR 2.7 million) was recognised as impairments. The carrying amount of inventories was written down to reflect its net realisable value.

17. OTHER RECEIVABLES, CURRENT

Other receivables, current, EUR million	2005	2004
Trade receivables	219.9	199.8
Accrued income	58.7	48.8
Loan receivables	4.2	2.0
Advance payments	26.1	17.9
Derivatives	0.0	
Other receivables	21.4	28.1
Total	330.2	296.6
Receivables from associated companies		
Trade receivables	0.5	0.3
Accrued income	0.1	0.0
Loan receivables	1.4	1.8
Other receivables	0.0	0.4
Total	2.0	2.6

The Group has recognised total EUR 3.0 million (2004: EUR 3.7 million) credit losses as expenses.

The fair values of receivables do not significantly differ from the carrying amounts of receivables. No major concentration of credit risks are involved and the carrying amounts best implicate the amount that will be collected.

Accrued income

Accrued income consist mainly of items related to normal business activities. Accruals also include short-term receivable on sales proceeds and agency commissions accruals.

Derivatives

Derivatives in 2005 include derivative instruments, which have been valued at fair values in the balance sheet. Year 2004 was prepared according to FAS principles and derivatives were not recorded in balance sheet. The fair values of derivatives are presented in Note 27.

18. CASH AND CASH EQUIVALENTS

Cash and cash equivalents in balance sheet, EUR million	2005	2004
Cash in hand and at bank	78.6	65.5
Deposits	6.4	24.8
Total	84.9	90.3

Deposits include over-night deposits and money market deposits with maturity under 3 months. Average maturity is very short and the fair values do not differ significantly from the carrying amounts.

Cash and cash equivalents in cash flow statement, EUR million	2005	2004
Cash and bank and deposits	84.9	90.3
Bank overdrafts	0.0	-6.7
Total	84.9	83.6

19. EQUITY

Share capital, premium fund and treasury shares, EUR million	Number of shares, thousands			Share capital	Premium fund	Treasury shares	Total
	A shares	B shares	Total				
At Jan. 1, 2004	23 220	137 079	160 299	68.9	31.8	-10.6	90.1
Invalidation of shares		-7 187	-7 187	-3.1	3.1	10.6	10.6
Share conversion: A shares into B shares	-21	21					
At Dec. 31, 2004	23 199	129 913	153 112	65.8	34.9		100.7
Usage of stock-options		29	29	0.0	0.3		0.3
Share conversion: A shares into B shares	-72	72					
Conversion of capital notes		3 786	3 786	1.6	58.6		60.2
At Dec. 31, 2005	23 127	133 800	156 928	67.5	93.7		161.2

The maximum number of Series A shares is 120 million and Series B shares 720 million so that the maximum amount of share capital cannot exceed EUR 300.0 million (2004: same amounts). Shares have no nominal value. Equivalent carrying amount is EUR 0.43 per share. Shares have been fully paid. The Group had no treasury shares at the end of financial year.

Translation differences

Translation differences include those items which have arisen when consolidating foreign companies. Translation differences include also items arising from the Group's intercompany loans, which are classified as net investments to foreign subsidiary.

Other reserves

Other reserves include amounts transferred from the distributable equity according to the Articles of Association or by a decision of Annual General Meeting of Shareholders.

Other reserves include also the equity component of the convertible capital note. Convertible capital note has been further explained in Note 22.

Group distributable equity, EUR million	2005	2004
Other distributable reserves	355.7	355.7
Retained earnings	608.8	496.2
Depreciation difference recorded in equity	-81.1	-86.0
Total	883.4	765.9

Distributable equity is calculated according to IFRS balance sheet and Finnish legislation.

20. STOCK OPTIONS

SanomaWSOY has two option schemes: Warrant Scheme 2001 issued on the basis of an authorisation received at the EGM of August 21, 2001 and Stock Option Scheme 2004 issued on the basis of an authorisation received at the AGM on March 30, 2004. Stock options are granted to the management of the SanomaWSOY Group by a decision of the Board of Directors.

Both schemes comprise a maximum 4,500,000 stock options, each entitling the holder to one SanomaWSOY Series B share. 2001 stock options have been granted in three stages, at the turn of 2001/2002 (2001A stock options), 2002/2003 (2001B), and 2003/2004 (2001C). Correspondingly 2004 stock options are granted in three stages, at the turn of 2004/2005 (2004A), 2005/2006 (2004B), and 2006/2007 (2004C). In each stock option category a maximum of 1,500,000 stock options could be issued. The exercise price in all three stages of both options schemes is the average price of SanomaWSOY Series B shares as quoted in November–December in each year with an addition of 20%. Each year the dividend is reduced from the exercise price. Trading in 2001A options began on the Main List of the Helsinki Stock Exchange on November 1, 2004 and 2001B options on November 1, 2005.

The non-distributed and returned options are invalidated or given to SanomaWSOY's fully owned subsidiary, Lastannet Oy, to be used according to a future decision of the Board of Directors of SanomaWSOY. The non-distributed and returned 2001A, 2001B, and 2001C stock options have been invalidated.

More specific information of the options are presented below. Information of the management ownership is presented in Note 31.

Options	Warrant Scheme 2001			Stock Options Scheme 2004		
	2001A	2001B	2001C	2004A	2004B	2004C
Basic information						
Maximum number of options	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000	1 500 000
The number of B shares exercised by one option	1	1	1	1	1	1
Initial exercise price, EUR	12.74	11.50	19.61	19.92	23.25	*
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes
Exercise price at Dec. 31, 2003, EUR **	11.83	11.10	19.61	---	---	---
Exercise price at Dec. 31, 2004, EUR **	10.83	10.10	18.61	19.92	---	---
Exercise price at Dec. 31, 2005, EUR **	10.03	9.30	17.81	19.12	23.25	---
Beginning of exercise period, date (vesting)	1.11.2004	1.11.2005	1.11.2006	1.11.2007	1.11.2008	1.11.2009
End of exercise period, date (expiration)	30.11.2007	30.11.2008	30.11.2009	30.11.2010	30.11.2011	30.11.2012
Remaining expiry time at Dec. 31, 2005, years	1.9	2.9	3.9	4.9	5.9	6.9
Number of persons at Dec. 31, 2005	52	146	167	198	207	---

* 2004C option exercise price is the weighted average price of SanomaWSOY Series B shares between November 1, 2006 and December 31, 2006 with an addition of 20%.

** Dividend is reduced annually from the exercise price. The dividend for 2004 was 0.80 per share (record date April 15, 2005). Dividend for 2003 was 1.00 per share (record date April 2, 2004).

Options Changes in 2005	Warrant Scheme 2001			Stock Options Scheme 2004			Total
	2001A	2001B	2001C	2004A	2004B	2004C	
Granted at Jan. 1	691 000	1 112 100	1 172 500	1 142 100	0	0	4 117 700
Returned at Jan. 1	76 000	29 600	21 000	0	0	0	126 600
Invalidated at Jan. 1	874 400	387 900	0	0	0	0	1 262 300
Exercised at Jan. 1	0	0	0	0	0	0	0
Outstanding at Jan. 1	615 000	1 082 500	1 151 500	1 142 100	0	0	3 991 100
Non-distributed at Jan. 1	10 600	29 600	348 500	357 900	1 500 000	1 500 000	3 746 600
Granted during the period	0	0	0	3 500	1 135 300	0	1 138 800
Returned during the period	0	29 800	56 600	13 400	0	0	99 800
Invalidated during the period	10 600	59 400	405 100	0	0	0	475 100
Exercised during the period	7 300	21 850	0	0	0	0	29 150
Weighted average price of B share during the exercise period, EUR	19.72 *	19.38 **	---	---	---	---	---
Expired during the period	0	0	0	0	0	0	0
Granted at Dec. 31	691 000	1 112 100	1 172 500	1 145 600	1 135 300	0	5 256 500
Returned at Dec. 31	76 000	59 400	77 600	13 400	0	0	226 400
Invalidated at Dec. 31	885 000	447 300	405 100	0	0	0	1 737 400
Exercised at Dec. 31	7 300	21 850	0	0	0	0	29 150
Outstanding at Dec. 31	607 700	1 030 850	1 094 900	1 132 200	1 135 300	0	5 000 950
Non-distributed at Dec. 31	0	0	0	367 800	364 700	1 500 000	2 232 500
The number unvested options at Dec. 31, 2005 ***	0	0	1 094 900	1 132 200	1 135 300	---	3 362 400

* The weighted average price of SanomaWSOY Series B share in 2005.

** The weighted average price of SanomaWSOY Series B share in November and December 2005.

*** Vesting period begins at grant date and ends when exercise period begins.

Determination of fair value

The fair value of stock options have been determined by using Black–Scholes valuation model. The fair value of options have been determined at grant date and the fair value is recognised to personnel expenses during the vesting period. Grant date is the date of the decision of the Board of Directors. According to IFRS those options, which have been granted before November 11, 2002, have not been recognised as expenses. Accordingly no fair value of SanomaWSOY 2001A stock options has been calculated. In 2005, total EUR 4.6 million has been recorded as expenses (2004: EUR 3.2 million).

Most significant assumptions in Black-Scholes model	Year 2005	Total
Number of granted options	1 138 800	4 565 500
Average price of B share *	19.7	15.8
Exercise price *	23.24	18.62
Interest rate *	3.1%	3.3%
Maturity, years *	5.9	5.9
Volatility *, **	27.0%	29.5%
Probability of returned options *	7.0%	6.7%
Expected dividends	---	---
Fair value total, EUR	5 487 148	19 385 847

* Figures calculated as weighted average figures.
** Volatility has been estimated on the basis of historical share price fluctuations by using monthly observations during as comparable period with the lifetime of option period (SanomaWSOY Corporation was created in May 1, 1999).

Changes during the period and the weighted average exercise prices	2005		2004	
	Number of options	Exercise price, EUR *	Number of options	Exercise price, EUR **
Granted at Jan. 1	4 117 700	15.44	2 945 600	14.57
Outstanding at Jan. 1	3 991 100	15.48	2 875 400	14.64
Granted during the period	1 138 800	23.24	1 172 100	19.89
Returned during the period	99 800	15.44	56 400	13.37
Exercised during the period	29 150	9.48	0	---
Expired during the period	0	---	0	---
Granted at Dec. 31	5 262 500	16.53	4 117 700	15.37
Outstanding at Dec. 31	5 000 950	16.64	3 991 100	15.48

* Exercise price in the beginning of the period is status at Dec. 31, 2004. Dividend adjustment has been taken into account during the period and exercise price is based on the status at Dec. 31, 2005.
** Exercise price in the beginning of the period is status at Dec. 31, 2003. Dividend adjustment has been taken into account during the period and exercise price is based on the status at Dec. 31, 2004.

21. PROVISIONS

Changes in provisions, EUR million	Restructuring provisions	Other provisions	Total
At Jan. 1, 2005	12.8	15.6	28.3
Translation differences		0.0	0.0
Increases	1.4	15.2	16.5
Amounts used	-5.4	-9.2	-14.6
Unused amounts reversed	-0.9	-6.9	-7.8
Other changes		-0.2	-0.2
At Dec. 31, 2005	7.8	14.4	22.2

Carrying amounts of provisions, EUR million	2005	2004
Non-current	12.3	15.4
Current	9.9	12.9
Total	22.2	28.3

Provisions are based on best estimates on the balance sheet date. Restructuring provisions are mainly related to normal business restructuring of Sanoma Magazines Division in former years. Other provisions comprise expense provisions for common business activities. Individual provisions are not material at the Group level.

22. INTEREST-BEARING LIABILITIES

Non-current interest-bearing liabilities, EUR million	2005	2004
Loans from financial institutions	5.2	201.0
Convertible capital note	89.1	150.6
Pension loans	8.1	14.2
Finance lease liabilities	22.9	10.3
Other liabilities	6.7	6.5
Total	132.0	382.5
Current interest-bearing liabilities, EUR million	2005	2004
Loans from financial institutions	367.9	211.6
Pension loans	5.3	5.3
Commercial papers	419.1	283.7
Finance lease liabilities	1.8	1.3
Other liabilities	2.6	10.4
Total	796.8	512.3
Interest-bearing liabilities, total	928.7	894.8

Except for convertible capital note, fair values of interest-bearing liabilities do not differ significantly from carrying amounts.

Loans from financial institutions

Loans from financial institutions consist mainly of bilateral facilities for which maturity is under 2 years. The portion of the loans, of which the repayment plan is not defined in advance, is presented in its entirety in non-current liabilities. Loans are valued at nominal values. The transaction cost of facilities are not significant when considering the amortised cost and are recognised mainly as expenses during the loan period.

The average interest rate for loans, excluding convertible capital note and finance leases, was 2.3% in 2005 (2004: 2.3%).

Repayment schedule of long-term liabilities, EUR million	2005	2004
Not later than 1 year	13.8	202.6
1–2 years	93.2	11.9
2–3 years	1.9	154.9
3–4 years	1.6	0.9
Later than 4 years	21.5	12.0
Total	132.0	382.5

Convertible capital note

A convertible capital note was issued by the Parent Company on August 31, 2001 and trading in the notes on the Helsinki Stock Exchange Main List began on September 6, 2001. In line with the terms of Section 5 of the Finnish Companies Act, the capital note is considered as equity loan.

The main terms of the notes:

1. A fixed annual interest of 5.25% is paid on the notes. Interest is payable annually in the event that the sum concerned can be used for distribution of the profits in line with the confirmed balance sheet of the Company and the Group for the latest financial year.
2. Subscribers are allowed to convert the original amount of subordinated notes into a maximum of 12,570,710 SanomaWSOY Corporation Series B shares. The Board has determined that the imputed conversion price of one share shall be EUR 15.91, representing a premium of 30% to the trading-weighted price of the Series B share on the Helsinki Stock Exchange between July 20, 2001 and August 8, 2001. The period for conversion began on January 2, 2002 and will end on June 20, 2007. Conversion can be effected between January 2 and November 30 annually.
3. The loan period extends to July 4, 2007, when the notes shall be repaid in total, on condition that the shareholders' equity and other non-distributable items contained in the Company's and Group's balance sheet for the last full financial period are fully covered. Under the terms of the notes, SanomaWSOY is entitled, as of September 1, 2004, to repay in advance the capital of the notes in full at a rate of 100% together with interest that has accrued by the payment date, on condition that all the relevant terms of the notes specified in the prospectus are complied with.
4. In the event of the Company being dissolved or being declared bankrupt, payment of the principal, interest, and other considerations related to the notes can only be made after other creditors have received due payment.

According to IFRS, the capital note has been divided into liability and equity component in accordance with the nature of compound instrument. The SanomaWSOY Group has applied IAS 32 and 39 standards as of January 1, 2005 onwards, when the separation has been made. The initial liability component of capital note has been determined by recognising loan at fair value using the market interest rate of comparable risk-free loan at issue date adding the Group's risk premium. Equity component has been determined as a difference of received funds and the fair value of liability. Equity component has been recorded under other reserves in equity. The deferred taxes arising from recognition have been recorded January 1, 2005 directly to equity. After the initial recognition, the capital note is valued at amortised cost using effective interest rate method. The effective interest rate of capital note is 6.9%.

In 2005, total 6,024 notes of the loan were converted into 3,786,280 Series B shares. The remaining loan capital is EUR 90.3 million.

The SanomaWSOY capital note is quoted in Helsinki Stock Exchange, but markets are non-liquid and no reliably fair value on the basis on trading transactions can be determined. Fair value at balance sheet date has been estimated in the SanomaWSOY Group noticing the time gap after the quotes and the changes in Series B share price. Best estimate of the fair value at the balance sheet date is some 120% (2004: some 120%). Total fair value at December 31, 2005 is some EUR 108 million (2004: some EUR 181 million) in proposition of the carrying amount of capital note.

Commercial papers

SanomaWSOY Corporation has domestic and foreign commercial paper programmes, which are used to arrange the short-term financing. Commercial papers are valued at amortised cost and transaction costs are recognised directly as expenses due the insignificant influence.

Finance lease liabilities, EUR million	2005	2004
Total minimum lease payments		
Not later than 1 year	3.3	2.1
1–5 years	12.5	6.6
Later than 5 years	20.3	6.8
Total	36.1	15.5
Present value of minimum lease payments		
Not later than 1 year	1.8	1.3
1–5 years	7.1	4.4
Later than 5 years	15.8	5.9
Total	24.7	11.7
Future finance charges	11.5	3.8

The most significant items under finance leases are related to premises of Sanoma Magazines Division and leased movie theatre premises of Rautakirja Division.

23. OTHER LIABILITIES

Non-current other liabilities, EUR million	2005	2004
Accrued expenses	1.7	5.6
Advances received	13.8	9.6
Other liabilities	8.7	8.2
Total	24.2	23.4
Non-current other liabilities to associated companies		
Other liabilities	0.8	
Total	0.8	
Current other liabilities, EUR million	2005	2004
Trade payables	190.6	161.8
Accrued expenses	242.3	245.9
Advances received	155.0	131.9
Derivatives	0.2	
Other liabilities	57.3	57.0
Total	645.2	596.5
Current other liabilities to associated companies		
Trade payables	1.9	1.3
Accrued expenses		0.0
Other liabilities	0.3	0.0
Total	2.2	1.4
Other liabilities total	669.4	620.0

Accrued expenses

Accrued expenses consist mainly of accrued personnel expenses and accruals related to normal business activities.

Derivatives

Derivatives include in 2005 derivative instruments, which have been valued at fair values in the balance sheet. Figures 2004 were prepared according to FAS principles and derivatives were not recorded in balance sheet. The fair values of derivatives are presented in Note 27.

24. CONTINGENT LIABILITIES

Contingent liabilities, EUR million	2005	2004
Contingencies for own commitments		
Mortgages	7.3	7.7
Pledges	10.8	15.2
Other items	1.6	0.3
Total	19.8	23.2
Contingencies given on behalf of associated companies		
Guarantees	7.9	15.4
Total	7.9	15.4
Contingencies given on behalf of other companies		
Guarantees	0.2	18.1
Total	0.2	18.1
Other commitments		
Operating lease liabilities (Note 25)	225.6	256.1
Royalties	19.2	21.9
Commitments for acquisition of intangible assets (incl. film rights)	23.5	24.4
Commitments for acquisition of tangible assets	7.8	
Other	49.6	48.3
Total	325.6	350.8
Contingent liabilities, total	353.4	407.4

Contingent liabilities of joint ventures have been included based on proportionate consolidation method according to ownership percentage. The Group's total contingent liabilities include EUR 3.4 million (2004: EUR 0.2 million) of joint ventures' contingent liabilities.

Accounting practice related to contingent liabilities has been specified in 2005. Comparative data 2004 has been adjusted accordingly.

Disputes and litigations

The SanomaWSOY Group has no major disputes or litigations ongoing. Group companies are involved in incidental disputes or litigations common to their business, but in the view of the Group's management the outcome of such disputes will not have a material effect on the Group's financial position or the result of operations.

25. OPERATING LEASE LIABILITIES

Non-cancellable minimum lease liabilities by maturity, EUR million	2005	2004
Not later than 1 year	52.8	51.1
1–5 years	129.8	141.3
Later than 5 years	42.9	63.7
Total	225.6	256.1

Operating liabilities include both premises and other operating lease liabilities.

Non-cancellable minimum lease payments to be received by maturity, EUR million	2005	2004
Not later than 1 year	2.4	3.1
1–5 years	3.5	5.2
Later than 5 years	3.0	1.9
Total	8.9	10.2

Total lease payments to be received include sublease payments EUR 4.4 million (2004: EUR 4.4 million).

26. FINANCIAL RISK MANAGEMENT

The Group Treasury unit is responsible for managing SanomaWSOY's treasury on a centralised basis. Operating as a counterparty to the Group divisions, the unit is responsible for the management of external financing, liquidity, and external hedging operations. The centralisation of treasury operations is aimed at ensuring external financing on flexible and favourable terms, optimised cash management, cost-effectiveness, and efficient financial risk management. SanomaWSOY's Board of Directors has approved the unit's guidelines in the Group's Treasury Policy. SanomaWSOY is exposed to interest rate, currency, liquidity, and credit risks. Its risk management aims to hedge the Group against material risks.

SanomaWSOY Group has a strong, steady, and predictable cash flow, which substantially reduces financial risks. The Group manages its long-term financial risks by maintaining a financial structure equivalent to a good credit rating with the aim of ensuring sources of low-cost financing. Meeting this aim is based on cooperating closely within the Group, operating with several banks, and actively monitoring developments in the financial market.

In its financial risk management, the Group uses various financial instruments whose use, effects, and fair values are clearly verifiable.

Consequently, the Group as a whole is exposed to rather low financial risks.

Interest rate risks

The Group's interest rate risks mainly refer to changes in market rates and loan margins associated with the Group's loan portfolio. The Group manages its exposure to interest rate risks by using a mix of fixed-rate and floating-rate loans, as well as using derivatives for hedging purposes.

According to its Treasury Policy, the Group aims to keep the share of its fixed-rate loans and hedged short-term loans of its loan portfolio between 30% and 100%, based in its two-year net-debt forecast.

Loan portfolio by interest rate, EUR million	2005
Floating-rate loans	610.7
Fixed-rate loans	318.0
Total	928.7

Currency risks

The bulk of the Group's cash flow from operations is denominated in euros. The non-euro area business operations account for slightly over 10% of consolidated net sales, coming mainly from sales denominated in the Russian rouble, the Hungarian forint, and the Czech koruna. The less advanced currency markets in Russia and Eastern Europe restrict hedging opportunities. The Group does not apply specific tools to hedge against economic policy risks associated with business operations. It hedges against material currency risks relevant to its operations. The Group is not currently exposed to any material currency risks.

Liquidity risks

Liquidity risks are associated with debt servicing, investment financing, and working capital adequacy. SanomaWSOY aims to minimise its liquidity risks by ensuring sufficient income financing, maintaining adequate credit limits and asset reserves, as well as running balanced loan repayment programmes extending over a number of calendar years. Liquidity risks are monitored daily based on a two-week forecast and monthly on a 12-month rolling forecast.

In line with the SanomaWSOY Group's financial policy, the Group's cash reserves must account for a minimum of 10% of net sales predicted for the next 12 months. The cash reserves include liquidities and unused credit lines.

As of December 31, 2005, the Group's financing programmes and unused credit lines were as follows:

- Bilateral committed facilities of EUR 495 million, EUR 130 million of which were unused
- Bilateral uncommitted facilities of EUR 200 million, all of which were unused
- Commercial paper programmes of EUR 600 million, EUR 179 million of which were unused
- Current account limits of EUR 23 million, all of which were unused.

The Group's financing agreements include common covenants relating to the position of creditors, certain key financial indicators, and the use of pledges and mortgages among others.

Credit risks

SanomaWSOY's credit risks are associated with its business operations. The Group's Treasury Policy specifies credit rating requirements for customers and other counterparties to financial transactions, as well as Group policies related to investments. The SanomaWSOY Group has no major credit risk concentrations because of its wide, global customer base. The Group's operational units assume responsibility for credit risks associated with their businesses.

27. DERIVATIVE INSTRUMENTS

Nominal values, EUR million	2005	2004	Fair values, EUR million	2005	2004
Interest rate derivatives			Interest rate derivatives		
Options			Options		
Purchased	100.0	100.0	Purchased	0.0	0.1
Written	54.8	54.8	Written	-0.2	-0.6
Interest rate swaps		20.0	Interest rate swaps		-0.1
Total	154.8	174.8	Total	-0.2	-0.6
Currency derivatives			Currency derivatives		
Forward contracts		13.5	Forward contracts		0.1
Options			Options		
Purchased		33.0	Purchased		0.0
Written		33.0	Written		-1.0
Total		79.6	Total		-0.9
Total	154.8	254.3	Total	-0.2	-1.5

Derivative contracts have been recorded to balance sheet as of January 1, 2005. Comparative data 2004 has been presented according to FAS principles.

28. MOST SIGNIFICANT SUBSIDIARIES

Most significant subsidiaries	Participation of the Parent Company, %	Participation of the sub-group's parent company %	Participation of the Group %
SANOMA MAGAZINES			
Sanoma Magazines B.V., the Netherlands *	100.0		100.0
Aldipress			
B.V. Aldipress, the Netherlands			100.0
Sanoma Magazines Belgium			
Sanoma Magazines Belgium N.V., Belgium		99.9	100.0
Sanoma Magazines International			
Sanoma Magazines International B.V., the Netherlands		100.0	100.0
Sanoma Budapest Kiadó Részvénytársaság, Hungary			100.0
Sanoma Hearst Romania s.r.l., Romania			65.0
Sanoma Magazines Praha s.r.o., the Czech Republic			100.0
Sanoma Magazines Slovakia s.r.o., Slovakia			100.0
Sanoma Magazines SMG d.o.o., Serbia and Montenegro			100.0
Sanoma Magazines Zagreb d.o.o., Croatia			100.0
United Press OOO, Russia			100.0
Sanoma Uitgevers			
Sanoma Uitgevers B.V., the Netherlands			100.0
ilse media groep B.V., the Netherlands			96.3
Jonge Gezinnen B.V., the Netherlands			100.0
R.C.V. Entertainment B.V., the Netherlands			100.0
Sanoma Men's Magazines B.V., the Netherlands			100.0
Sanoma Magazines Finland			
Sanoma Magazines Finland Oy, Helsinki *	100.0		100.0
Suomen Rakennuslehti Oy, Helsinki		60.0	60.0

	Participation of the Parent Company, %	Participation of the sub-group's parent company %	Participation of the Group %
SANOMA			
Sanoma Osakeyhtiö, Helsinki *	100.0		100.0
AS Infesto, Estonia			100.0
Esmerk Limited, the United Kingdom			90.0
Esmerk Oy, Helsinki			90.0
Helsingin Sanomat Oy, Helsinki		100.0	100.0
Ilta-Sanomat Oy, Helsinki		100.0	100.0
Lehtikuva Oy, Helsinki		100.0	100.0
Sanoma Data Oy, Helsinki		100.0	100.0
Sanoma Kaupunkilehdet Oy, Helsinki		100.0	100.0
Sanoma Lehtimedia Oy, Anjalankoski		100.0	100.0
Sanomapaino Oy, Helsinki		100.0	100.0
Taloussanomat Oy, Helsinki		90.0	90.0
WSOY			
Werner Söderström Osakeyhtiö, Helsinki *	100.0		100.0
SW Invest B.V., the Netherlands	100.0		100.0
Bertmark A/S Danmark, Denmark			100.0
Bertmark Norge AS, Norway			100.0
Bertmarks Förlag AB, Sweden			100.0
Docendo Finland Oy, Jyväskylä		100.0	100.0
Everscreen Oy, Helsinki		64.0	64.0
L.C.G. Malmberg B.V., the Netherlands			100.0
SanomaWSOY Education B.V., the Netherlands			100.0
Uitgeverij Van In N.V., Belgium			100.0
Weilin+Göös Oy, Helsinki		100.0	100.0
WS Bookwell Oy, Porvoo		100.0	100.0
Young Digital Poland S.A., Poland		55.1	55.1
SWELCOM			
SWelcom Oy, Helsinki *	100.0		100.0
Helsinki Televisio Oy, Helsinki		100.0	100.0
Oy Ruutunelonen Ab, Helsinki		90.6	90.6
RAUTAKIRJA			
Rautakirja Oy, Vantaa *	100.0		100.0
Apollo Raamatud AS, Estonia			100.0
Baltic Cinema SIA, Latvia			90.0
D+J Arena Hamburg GmbH, Germany			100.0
Finnkino Oy, Vantaa		100.0	100.0
Hiparion Distribution S.A., Romania		99.0	99.0
UAB Impress Teva UAB, Lithuania		51.0	51.0
AS Lehepunkt, Estonia		100.0	100.0
AB Lietuvos Spauda, Lithuania			90.7
UAB Lietuvos Spauda Vilniaus Agentura, Lithuania		100.0	100.0
AS MPDE, Estonia			100.0
R Kiosk Eesti AS, Estonia		100.0	100.0
Suomalainen Kirjakauppa Oy, Helsinki		100.0	100.0
TK Presseexpo OOO, Russia		99.0	100.0
AS V & K Holding, Estonia			85.0
UAB Vingio kino teatras, Lithuania			90.0
* Parent company of the sub-group			

29. JOINT VENTURES

Joint ventures have been consolidated using proportionate consolidation method. Aggregate assets, liabilities, net sales, and net result have been presented in the following table as consolidated with proportionate ownership. Personnel figure include the total figure of the companies.

Joint ventures, EUR million	2005	2004
Non-current assets	0.9	4.4
Current assets	27.7	12.3
Non-current liabilities	0.3	0.0
Current liabilities	15.2	9.8
Net assets	13.1	6.9
Income	62.9	31.3
Expenses	52.2	27.4
Net result for the period	10.7	3.9
Personnel, average (full-time equivalents)	498	237

Most significant joint ventures	Participation of the Group, %
SANOMA MAGAZINES	
Independent Media Holding B.V.	
Business News Media ZAO, Russia	33.3
Fashion Press OOO, Russia	50.0
Alpina Business Books OOO, Russia	50.0
Publishing House Independent Media Ltd., Ukraine	50.0
Sanoma Magazines International	
Sanoma Bliasak Bulgaria A.D., Bulgaria	50.0
Hearst-Sanoma Budapest Kft, Hungary	50.0
Sanoma Uitgevers	
AKN CV, Holland	25.0
Sanoma Magazines Finland	
Egmont Kustannus Oy Ab, Tampere	50.0
RAUTAKIRJA	
Narvesen Baltija SIA, Latvia	50.0
SIA Preses Apvieniba, Latvia	49.3
SIA Preses Serviss, Latvia	49.3

30. RELATED PARTY TRANSACTIONS

The SanomaWSOY Group's related parties include subsidiaries, associated companies, and joint ventures as well as members of the Board, President and CEO, Presidents of the Divisions, and other members of the Management Group. Remuneration for key management is presented in Note 31. Transactions with associated companies are presented in Note 13. Transactions with subsidiaries and joint ventures are not presented as related party transactions, because those are eliminated in consolidated figures. Joint ventures have been included as proportionate consolidation method. The transactions of the other shareholders' of joint ventures are not presented as related party transactions, because those shareholders are not considered to be related parties on the basis of joint control agreement. The most significant subsidiaries are presented in Note 28 and most significant joint ventures in Note 29. In addition, the SanomaWSOY Group's related parties include pension funds, sickness fund, and employees' profit-sharing funds. Besides pension plans, transactions with those parties are not material. Pension funds are described in more detail in accounting policies (Note 1) and pension calculations in Note 5.

The SanomaWSOY Group has no other significant companies, which indicate related party definitions or with which significant related party transactions exist.

31. MANAGEMENT COMPENSATION, BENEFITS, AND OWNERSHIP

Management remuneration and ownership, 2005	Remuneration (EUR 1 000)	Number of shares		Number of capital notes	Number of stock options				
		Series A shares	Series B shares		2001A	2001B	2001C	2004A	2004B
President and CEO									
Hannu Syrjänen	819		23 142		50 000	50 000	50 000	50 000	50 000
Board of Directors									
Jaakko Rauramo, Chairman	992	2 452	48 694			100 000	100 000		
Sari Baldauf, Vice Chairman (as of April 12, 2005)	65		7 000						
Robert Castrén	53	7 040	12 832						
Jane Erkkö	52	43 808	200 024						
Paavo Hohti (Vice Chairman until April 11, 2005)	54		824						
Sirkka Hämäläinen-Lindfors	53								
Seppo Kievari	52		5 000		30 000	30 000	20 000		
Robin Langenskiöld	53	1 119 604	6 577 712						
Sakari Tamminen	53		700						
Total *	2 246								
Management Group									
Eija Ailasmaa		80	6 000		30 000	30 000	30 000	37 000	37 000
Nils Ittonen			50 000		30 000	30 000	30 000	30 000	30 000
Erkki Järvinen						30 000	30 000	37 000	37 000
Jorma Kaimio			14 480		10 000	30 000	30 000	34 000	17 000
Tapio Kallioja			1 600		30 000	30 000	30 000	34 000	34 000
Mikael Pentikäinen							30 000	37 000	37 000
Kerstin Rinne			1 199			30 000	30 000	30 000	30 000
Matti Salmi						12 000	30 000	30 000	30 000
Total	2 868								
* Figures include the remuneration, which has been paid for these assignments handled by those persons during the period. Remuneration includes fringe benefits. The Group has no outstanding receivables or loans from management.									

Management remuneration and ownership, 2004	Remuneration (EUR 1 000)	Number of shares		Number of capital notes	Number of stock options				
		Series A shares	Series B shares		2001A	2001B	2001C	2004A	2004B
President and COO									
Hannu Syrjänen	765		20 000	5	50 000	50 000	50 000	50 000	
Board of Directors									
Jaakko Rauramo, Chairman	938	2 452	42 449	10		100 000	100 000		
Sari Baldauf	52		7 000						
Robert Castrén	53	7 040	13 172						
Jane Erkko	53	43 808	200 024						
Paavo Hohti, Vice Chairman	60		824						
Sirkka Hämäläinen-Lindfors	37								
Kyösti Järvinen (until March 31, 2004)	11								
Seppo Kievari	53		5 000		30 000	30 000	20 000		
Robin Langenskiöld	53	1 119 604	6 577 712						
Sakari Tamminen	53								
Total *	2 128								
Management Group									
Eija Ailasmaa		80	6 000		30 000	30 000	30 000	37 000	
Aarno Heinonen (until March 31, 2004)		200	5 040		30 000	30 000	10 000		
Nils Ittonen			50 000		30 000	30 000	30 000	30 000	
Erkki Järvinen						30 000	30 000	37 000	
Seppo Kievari (until March 31, 2004, see ownership above)									
Jorma Kaimio			14 480		30 000	30 000	30 000	34 000	
Tapio Kallioja			1 600		30 000	30 000	30 000	34 000	
Mikael Pentikäinen (as of April 1, 2004)							30 000	37 000	
Kerstin Rinne			1 199		30 000	30 000	30 000	30 000	
Matti Salmi (as of April 1, 2004)						12 000	30 000	30 000	
Total	2 618								

* Figures include the remuneration, which has been paid for these assignments handled by those persons during the period. Remuneration includes fringe benefits. The Group has no outstanding receivables or loans from management.

Other benefits of the management

Chairman of the Board, Jaakko Rauramo, is entitled to retire after the age of 60 on full pension (60% pension salary) when he or the Company so wishes under the provisions of Sanoma Corporation's pension fund. The contract of employment of the Chairman is valid for the duration of his term of office, unless otherwise agreed with or decided by the AGM. Rauramo has notified of retiring during 2006. According to Hannu Syrjänen's executive contract, Syrjänen will retire at the age of 60, unless otherwise agreed. His pension is some 60% of his pension salary. The period of notice of the

President and CEO is six months and severance pay in the case of termination corresponds to 18 months' salary. The severance pay includes a fixed term non-competition clause.

The retirement age for the other members of SanomaWSOY's Management Group is 60 years, and their pension is approximately 60% of their pension salary. Their period of notice is six months and severance pay in the case of termination corresponds to 12 months' salary. The severance pay includes a fixed term non-competition clause.

32. EVENTS AFTER THE BALANCE SHEET DATE

SanomaWSOY management does not have knowledge of any significant events of that kind, which adjustments for the period would have had any material impact on the financial statements. After the balance sheet date, no such event has arisen either, which has significant impact on the Group's financial position.

33. TRANSITION TO IFRS

The SanomaWSOY Group began to apply IFRS (International Financial Reporting Standards) to its financial reporting as of January 1, 2005. Previously, it prepared its financial statements and reports in accordance with the Finnish Accounting Standards (FAS). The Group prepared its interim reports for 2005 in accordance with the recognition and measurement principles of IFRS and on April 27, 2005 disclosed unaudited IFRS comparatives for 2004, the full version of which is available on the Group's website at www.sanomawsoy.fi. Accounting practice and 2004 figures related to one Sanoma Magazines company has been changed after these interim reports and IFRS comparatives. Previously this entity was accounted for as an associated company, but is now consolidated as a joint venture using proportionate consolidation method. Comparative data 2004 has been adjusted accordingly. This change has no impact on 2004 net result, equity or opening balance sheet. The accounting practice of cash flow statement has also been specified and the 2004 comparative data has been adjusted accordingly.

On the date of transition to IFRS, January 1, 2004, the Group applied IFRS 1 (First-time Adoption of IFRS), permitting certain exemptions to be applied retrospectively to individual standards during transition. The most significant exemptions related to business combinations and the application of IAS 32 and 39 (financial instruments). The Group did not adjust retrospectively the accounting of pre-transition-date company acquisitions to comply with IFRS. Despite the transition date, IAS 32 and 39 were only applied from January 1, 2005. Comparatives for 2004 for financial instruments were prepared under the Finnish Accounting Standards (FAS). IFRS 5 (Non-current Assets Held for Sale and Discontinued Operations) has also been applied only since January 1, 2005.

Major impacts of IFRS transition

For the SanomaWSOY Group, major changes resulting from the IFRS adoption related to:

- Impairment testing instead of goodwill amortisation
- Accounting treatment of pension schemes
- Measurement of inventories
- Management stock option schemes

SanomaWSOY's operating profit according to the IFRS for 2004, excluding major non-recurring capital gains disclosed earlier (EUR 25.8 million), totalled EUR 270.9 million, accounting for 10.8%

of net sales. Goodwill amortisation and amortisation on intangible rights with indefinite useful lives totalled EUR 82.1 million in 2004. Discontinuing this amortisation had the most significant impact on SanomaWSOY results.

Reporting under IFRS increased assets and shareholders' equity in the balance sheet. Due mainly to the changed measurement of assets and discontinued goodwill amortisation, key indicators and earnings per share also changed.

Key indicators, EUR million	IFRS 2004	FAS 2004
Earnings/share, EUR	1.31	0.87
Earnings/share, diluted, EUR	1.26	0.85
Cash flow from operations/share, EUR	1.58	1.67
Equity ratio, %	38.6	39.0
Gearing, %	81.5	85.4
Balance sheet total	2 693.6	2 528.8
Interest-bearing liabilities	894.8	885.9
Return on investment, % (ROI)	18.0	14.8

The following IFRS reconciliations show differences in the financial statements for net result and equity in 2004 and IFRS transition date January 1, 2004, between IFRS and FAS.

Reconciliation of the equity, EUR million	1.1.2004	31.12.2004
EQUITY ACCORDING TO FAS	1 102.9	1 075.2
Impacts of the transition to IFRS		
Capital notes	-169.6	-155.8
Minority interests	11.7	15.3
Amortisation of goodwill and immaterial rights		82.1
Pensions	-14.5	-21.5
Deferred taxes	-12.6	-7.5
Valuation of inventories	6.6	2.7
Connection fees	-7.7	-9.7
Provisions	12.8	10.9
Interest of equity loan	-4.1	-5.0
Finance leases	0.4	0.0
Other adjustments	1.8	-0.9
Adjustments total	-175.2	-89.2
EQUITY ACCORDING TO IFRS	927.7	986.0

Reconciliation of the net result for the period, EUR million		2004
NET RESULT FOR THE PERIOD ACCORDING TO FAS		134.1
Impacts of the transition to IFRS		
Amortisation of goodwill and immaterial rights		82.1
Pensions		-6.9
Deferred taxes		5.1
Stock options		-3.2
Valuation of inventories		-3.9
Connection fees		-1.9
Provisions		-1.9
Interest of equity loan		-0.8
Finance leases		-0.4
Other adjustments		-2.2
Adjustments total		65.9
NET RESULT FOR THE PERIOD ACCORDING TO IFRS		200.0

Net result for the period is the result attributable to the equity holders of the Parent Company.

The following comparatives show differences in the financial statements for 2004 between IFRS and FAS. IFRS 2004 figures include change in accounting practice related to one Sanoma Magazines company. Previously this entity was accounted for as an associated company, but is now consolidated as a joint venture using proportionate consolidation method. Comparative data 2004 has been adjusted accordingly.

Consolidated income statement, EUR million	IFRS 2004	FAS 2004
NET SALES	2 504.6	2 493.0
Other operating income	81.7	68.2
Share of result of associated companies		5.2
Materials and services	1 140.3	1 128.2
Personnel expenses	555.8	544.1
Other operating expenses	468.6	453.4
Depreciation and impairment losses	125.0	201.2
OPERATING PROFIT	296.7	239.5
Share of result of associated companies	3.8	
Financial items	-28.8	-27.2
RESULT BEFORE TAXES AND EXTRAORDINARY ITEMS	271.6	212.2
Extraordinary items		1.4
Income taxes	-67.8	-75.7
RESULT FOR THE PERIOD, TOTAL	203.8	138.0
Minority interests	-3.8	-3.9
NET RESULT FOR THE PERIOD	200.0	134.1

Consolidated balance sheet, EUR million	IFRS 31.12.2004	FAS 31.12.2004
ASSETS		
NON-CURRENT ASSETS		
Tangible assets	496.7	446.8
Investment property	32.1	
Goodwill	1 252.8	1 198.2
Other intangible assets	190.2	150.6
Interest in associated companies	49.5	66.8
Investments	21.2	69.7
Deferred tax receivables	61.4	41.6
Receivables	49.7	29.1
NON-CURRENT ASSETS, TOTAL	2 153.6	2 002.8
CURRENT ASSETS		
Inventories	144.2	137.3
Receivables	305.1	303.0
Cash and cash equivalents	90.8	85.8
CURRENT ASSETS, TOTAL	540.1	526.0
ASSETS, TOTAL	2 693.6	2 528.8
EQUITY AND LIABILITIES		
EQUITY		
Share capital	65.8	65.8
Other equity	904.9	1 009.4
	970.7	1 075.2
Minority interest	15.3	20.2
EQUITY, TOTAL	986.0	1 095.4
NON-CURRENT LIABILITIES		
Deferred tax liabilities	81.4	40.5
Pension obligations	59.6	7.7
Provisions	15.4	17.9
Interest-bearing liabilities	382.5	216.6
Other liabilities	23.4	7.4
CURRENT LIABILITIES		
Provisions	12.9	12.5
Interest-bearing liabilities	512.3	511.0
Other liabilities	620.1	619.9
LIABILITIES, TOTAL	1 707.6	1 433.4
EQUITY AND LIABILITIES, TOTAL	2 693.6	2 528.8

Classification of balance sheet is prepared according to IFRS. FAS figures are presented correspondingly.

Consolidated cash flow statement, EUR million	IFRS 2004	FAS 2004
Operating profit	296.7	239.5
Adjustments to operating profit	56.1	129.2
Change in working capital	12.9	-4.8
Financial items and taxes	-124.5	-108.6
Cash flow from operations	241.2	255.3
Cash flow from investments	-23.1	-75.0
Cash flow before financing	218.1	180.3
Cash flow from financing	-238.6	-231.0
Change in liquidities according to the cash flow statement	-20.4	-50.7
Exchange rate differences under liquidities	0.5	7.7
Net increase(+)/decrease(-) in liquidities	-20.0	-43.0
Cash and cash equivalents at Jan. 1	103.5	128.8
Cash and cash equivalents at Dec. 31	83.6	85.8

Below is a more detailed description of the effects of the IFRS adoption on the balance sheet and income statement, as well as accounting policies. Accounting policies (Note 1) provides more detailed information on IFRS accounting principles.

Business combinations, goodwill, and impairment testing

SanomaWSOY uses the acquisition cost method for its company acquisitions. Acquisitions carried out from January 1, 2004, are measured at fair value on the date of acquisition, but acquisitions prior to that date have not been adjusted retrospectively. The Accounting policies section provides a more detailed description of acquisition cost allocation.

Pensions

During FAS, accounting of pension liabilities and pension expenses applied the operating countries' local legislation. Under IFRS, accounting treatment of pensions depends on the nature of the pension scheme in place. Following the evaluation of its pension schemes in different countries, SanomaWSOY has classified them as either defined benefit or defined contribution pension plans. Disability pension insurance within the Finnish statutory TEL pension plan was not treated as a defined benefit plan in the opening balance sheet and comparatives. Changes in calculation methods approved by the Ministry of Social Affairs and Health in 2004 caused the TEL system to become a defined contribution plan, which the Group already applied in its opening balance sheet. If these schemes had been treated as defined benefit plans, shareholders' equity in the opening balance sheet would have decreased by EUR 27.9 million, excluding deferred taxes, and the one-off improvement in operating profit for 2004 would have been EUR 25.0 million while decreasing shareholders' equity by EUR 2.9 million on December 31, 2004. This would have had only a minor impact on key indicators.

In addition to TEL insurance policies (based on the Employees' Pensions Act), the Group also has pension funds in Finland responsible for the statutory pension cover for certain Group companies, as well as for supplementary pension schemes. All of the schemes managed by the pension funds are classified as defined benefit plans. The Group's foreign units employ both defined benefit and defined contribution schemes, and the related pension cover is managed by both pension funds and insurance companies.

The Group applied the exemption permitted by IFRS 1, whereby all accumulated actuarial gains or losses were recognised in the opening balance sheet.

Inventories

Unlike in the previous practice, the acquisition cost of inventories includes fixed production overheads to their substantial extent, as required by IFRS. The most significant adjustments resulting from IFRS transition related to the measurement of WSOY's book inventories.

Stock options

The Group has applied IFRS 2 as of January 1, 2004. Management stock options are measured at fair value on the grant date and charged to personnel expenses by division over the instrument's vesting period. SanomaWSOY uses the Black-Scholes option-pricing model to measure stock option fair values.

Deferred taxes

Under IFRS, deferred taxes are calculated on all temporary differences arising between carrying amounts and taxable values. Under FAS, deferred taxes were entered only on timing differences affecting the income statement and, within the Group, on combination-related measures and appropriations reflected in Group results. Deferred tax assets are recognised to the extent that it appears probable that future taxable profit will be available against which the temporary difference can be utilised.

Under FAS, deferred taxes were not recognised on all those items that IFRS requires. Therefore, the transition to IFRS caused a number of differences resulting from deferred taxes, the most significant ones applying to changes in accounting of pensions.

Leases

The Group's leases, which qualify as financial leases under IFRS, are capitalised in the balance sheet for the lease term. Under FAS, leases were treated as other lease agreements. The transition to IFRS increased tangible assets and interest-bearing liabilities. At inception, leased assets based on financial leases are recognised as assets to the amount corresponding to the net present value of minimum lease payments. The assets are depreciated during the lease term and lease payments are recognised as interest expenses and repayment of financial lease liabilities.

Provisions

Under IFRS, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of this obligation can be made. Certain restructuring provisions were reversed as a result of IFRS transition.

Investment property

Property that the Group holds mainly to earn rental yields or for capital appreciation is classified as investment property under IFRS. Investment property is initially measured at cost and presented as a separate item in the balance sheet. Investment properties include buildings, land, and investment in shares of property and housing companies not in SanomaWSOY's own use. Based on their nature, such shareholdings are divided into land or buildings.

Other investments in property and housing companies

Investments in property and housing companies, these properties held by SanomaWSOY for its own use, are classified as land or buildings, under IFRS, depending on which one has more relevance to the company. Due to the IFRS adoption, mutual property companies are consolidated using the proportionate consolidation method.

Lease premises' renovation expenses are treated as other tangible assets in the IFRS balance sheet, whereas under FAS they were entered in other long-term expenditure under intangible assets.

Segment reporting

SanomaWSOY's IFRS segment reporting is based on management control and internal reporting systems. The Group's five divisions are defined as primary segments (Sanoma Magazines, Sanoma, WSOY, SWelcom, and Rautakirja). Geographical regions are the secondary segments.

Net sales and other operating income

The most important IFRS changes for net sales took place already in early 2004, as permitted by FAS. The most significant changes related to press distribution, now treated as commission sales, and to harmonising the accounting practice regarding discounts granted and services purchased. Consequently, changes applying to Sanoma Magazines, Sanoma, and Rautakirja were already included in the FAS-compliant financial statements for 2004.

The adoption of IFRS also led to changes in the revenue recognition practice applying to connection fees for cable TV services, reducing SWelcom's 2004 net sales and operating profit by EUR 1.9 million. The transition to IFRS did not affect WSOY's net sales. The Group harmonised accounting treatment of expenses compensation and transferred certain adjustments to other operating income in accordance with IFRS.

Associated companies and minority interests

Under IFRS, the Group's share of the associated companies' profits or losses is shown as a separate item after operating profit, where-

as under FAS this figure was presented before operating profit. Under IFRS, minority interests are shown under shareholders' equity, whereas under FAS they were presented separately from the Parent Company shareholders' equity.

Financial instruments and convertible capital note

SanomaWSOY has complied with IFRS 1 allowing exemptions in applying IAS 32 and 39. Comparatives for 2004 related to financial instruments were prepared according to FAS. Consequently, the transition to IFRS reporting did not affect financial instruments on the opening balance sheet of January 1, 2004. The effects of IAS 32 and 39 were taken into account in the opening balance sheet of January 1, 2005 by entering resulting changes in shareholders' equity.

Under FAS, SanomaWSOY Corporation's convertible capital note was shown under shareholders' equity. Under IFRS, the capital note is a compound instrument with both liability and equity components. As required by IAS 32, the note's option feature was recognised in other reserves under shareholders' equity as of January 1, 2005. In the IFRS balance sheet for 2004, the entire capital note was shown in interest-bearing liabilities to enhance comparability, although the measurement principles did not change until January 1, 2005.

The following reconciliation describes balance sheet adjustments for the financial period starting on January 1, 2005, caused by IAS 32 and 39.

Consolidated balance sheet, EUR million	31.12. 2004	Impact of IAS 32 and 39	1.1. 2005
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	496.7		496.7
Investment property	32.1		32.1
Goodwill	1 252.8		1 252.8
Other intangible assets	190.2		190.2
Interest in associated companies	49.5		49.5
Available-for-sale financial assets	21.2		21.2
Deferred tax receivables	61.4	0.4	61.8
Other receivables	49.7	-1.5	48.2
NON-CURRENT ASSETS, TOTAL	2 153.6	-1.0	2 152.6
CURRENT ASSETS			
Inventories	144.2		144.2
Income tax receivables	8.6		8.6
Other receivables	296.6	0.2	296.7
Available-for-sale financial assets	0.5		0.5
Cash and cash equivalents	90.3		90.3
CURRENT ASSETS, TOTAL	540.1	0.2	540.2
ASSETS, TOTAL	2 693.6	-0.9	2 692.8
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the equity holders of the Parent Company			
Share capital	65.8		65.8
Premium fund	34.9		34.9
Other reserves	369.4	10.1	379.5
Translation differences	5.8		5.8
Retained earnings	494.8	-12.1	482.7
	970.7	-2.1	968.6
Minority interest	15.3		15.3
EQUITY, TOTAL	986.0	-2.1	983.9
NON-CURRENT LIABILITIES			
Deferred taxes	81.4	2.7	84.0
Pension obligations	59.6		59.6
Provisions	15.4		15.4
Interest-bearing liabilities	382.5	-3.2	379.3
Other liabilities	23.4		23.4
CURRENT LIABILITIES			
Provisions	12.9		12.9
Interest-bearing liabilities	512.3		512.3
Income tax liabilities	23.5		23.5
Other liabilities	596.5	1.7	598.3
LIABILITIES, TOTAL	1 707.6	1.2	1 708.9
EQUITY AND LIABILITIES, TOTAL	2 693.6	-0.9	2 692.8

Definitions of key indicators

Return on equity, % (ROE)	=	$\frac{\text{Result for the period}}{\text{Equity total (average of monthly balances)}} \times 100$
Return on investments, % (ROI)	=	$\frac{\text{Result before taxes + interest and other financial expenses}}{\text{Balance sheet total - non-interest-bearing liabilities (average of monthly balances)}} \times 100$
Equity ratio, %	=	$\frac{\text{Equity total}}{\text{Balance sheet total - advances received}} \times 100$
Gearing, %	=	$\frac{\text{Interest-bearing liabilities - cash and cash equivalents}}{\text{Equity total}} \times 100$
Earnings / share (EPS)	=	$\frac{\text{Result for the period attributable to the equity holders of the Parent Company}}{\text{Average number of shares on the market}}$
Cash flow / share	=	$\frac{\text{Cash flow from operations}}{\text{Average number of shares on the market}}$
Equity / share	=	$\frac{\text{Equity attributable to the equity holders of the Parent Company}}{\text{Number of shares on the market at the balance sheet date}}$
Dividend / share	=	$\frac{\text{Total dividend distribution}}{\text{Number of shares at the balance sheet date}}$
Dividend / result, %	=	$\frac{\text{Dividend / share}}{\text{Result / share}} \times 100$
Market capitalisation	=	Number of shares on the market at the balance sheet date x share price on the last trading day of the year by share class
Effective dividend yield, %	=	$\frac{\text{Dividend / share}}{\text{Share price on the last trading day of the year by share class}} \times 100$
P/E ratio	=	$\frac{\text{Share price on the last trading day of the year}}{\text{Result / share}}$

Share capital

SanomaWSOY's share capital at Dec. 31, EUR 1 000	2005	2004	2003	2002	2001
All shares total	67 479	65 838	68 929	62 574	62 574
Series A	9 945	9 976	9 985	9 985	9 985
Series B	57 534	55 862	58 944	52 589	52 589
Outstanding shares total	67 479	65 838	65 838	59 484	59 484
Series A	9 945	9 976	9 985	9 985	9 985
Series B	57 534	55 862	55 853	49 499	49 499

According to SanomaWSOY's Articles of Association, the Company's minimum share capital is EUR 50,000,000 and maximum share capital is EUR 300,000,000. within which limits the share capital may be increased or reduced without amending the Articles of Association. The table below shows changes in the share capital.

Changes in the share capital 1999–2005	No. of issued Series A shares	No. of issued Series B shares	Total no. of shares	Share capital (EUR million)	Share capital (FIM million)
SanomaWSOY Corporation at May 1, 1999	6 001 895	30 378 504	36 380 399		363.8
SanomaWSOY Corporation at Dec. 31, 1999	6 001 895	30 378 504	36 380 399		363.8
Conversion of Series A shares into Series B shares at Apr. 4, 2000	5 805 123	30 575 276	36 380 399		363.8
Share split into four shares at May 9, 2000	23 220 492	122 301 104	145 521 596		363.8
Share capital denomination into Euro at May 9, 2000	23 220 492	122 301 104	145 521 596	61.2	
Increase of share capital, bonus issue at May 9, 2000	23 220 492	122 301 104	145 521 596	62.6	
SanomaWSOY Corporation at Dec. 31, 2000	23 220 492	122 301 104	145 521 596	62.6	
SanomaWSOY Corporation at Dec. 31, 2001	23 220 492	122 301 104	145 521 596	62.6	
SanomaWSOY Corporation at Dec. 31, 2002	23 220 492	122 301 104	145 521 596	62.6	
Issue of new Series B shares at Mar. 1, 2003 (Rautakirja's merger)	23 220 492	155 851 954	179 072 446	77.0	
Invalidation of treasury shares at Apr. 30, 2003 (Rautakirja's merger)	23 220 492	137 078 936	160 299 428	68.9	
SanomaWSOY Corporation at Dec. 31, 2003	23 220 492	137 078 936	160 299 428	68.9	
Invalidation of treasury shares at Jul. 30, 2003 (Tiikerijakelu's merger)	23 220 492	129 891 660	153 112 152	65.8	
Conversion of Series A shares into Series B shares at Aug. 27, 2004	23 209 492	129 902 660	153 112 152	65.8	
Conversion of Series A shares into Series B shares at Nov. 26, 2004	23 199 492	129 912 660	153 112 152	65.8	
SanomaWSOY Corporation at Dec. 31, 2004	23 199 492	129 912 660	153 112 152	65.8	
Conversion of convertible capital note into Series B shares at Apr. 29, 2005	23 199 492	129 922 087	153 121 579	65.8	
Conversion of convertible capital note into Series B shares at May 25, 2005	23 199 492	129 931 515	153 131 007	65.8	
Conversion of Series A shares into Series B shares at Jun. 23, 2005	23 127 312	130 003 695	153 131 007	65.8	
Conversion of convertible capital note into Series B shares at Jul 22, 2005	23 127 312	131 842 801	154 970 113	66.6	
Conversion of convertible capital note into Series B shares at Aug. 12, 2005	23 127 312	131 897 479	155 024 791	66.7	
Conversion of convertible capital note into Series B shares at Sept. 5, 2005	23 127 312	132 588 852	155 716 164	67.0	
Conversion of convertible capital note into Series B shares and subscription for new Series B shares based on stock options at Nov. 10, 2005	23 127 312	133 230 069	156 357 381	67.2	
Conversion of convertible capital note into Series B shares and subscription for new Series B shares based on stock options, 23.12.2005	23 127 312	133 800 270	156 927 582	67.5	
SanomaWSOY Corporation at Dec. 31, 2005	23 127 312	133 800 270	156 927 582	67.5	

The dates in the above table refer to dates for registration of changes in the share capital.

Series of shares

The company has two series of shares: A (20 votes) and B (one vote). All shares entitle their holders to equal dividends.

Number of shares

Number of shares	Series A	Series B	Total
Number of shares at Dec. 31, 2005	23 127 312	133 800 270	156 927 582
Average issue-adjusted number of shares	23 161 523	131 077 386	154 238 909
Dilution effect if all capital notes and issued stock options were converted into shares*	Series A	Series B	Total
Number of outstanding shares at Dec. 31, 2005	23 127 312	133 800 270	156 927 582
Convertible capital note 2001		5 676 932	5 676 932
2001A stock options		607 700	607 700
2001B stock options		1 030 850	1 030 850
2001C stock options		1 094 900	1 094 900
2004A stock options		1 132 200	1 132 200
2004B stock options		1 135 300	1 135 300
Number of outstanding shares, diluted, at Dec. 31, 2005	23 127 312	144 478 152	167 605 464

* Provided that all convertible capital notes and issued stock options are converted into shares.

Shares to be subscribed on the basis of the issued stock options and convertible capital notes would account for 6.37% of SanomaWSOY shares after conversion and would represent 1.76% of all votes if all of the issued stock options were exercised and the remaining capital notes were converted into shares.

Including the 2004A and 2004B stock options held by Lastanet Oy and the unissued 2004C stock options, the potential combined dilution effect of the stock option schemes and the convertible capital notes on December 31, 2005 was 12,910,382 shares, accounting for 7.60% of the total number of post-conversion shares and 2.12% of votes entitled by these shares.

Major changes in shareholdings

In 2005, SanomaWSOY received two flagging announcements regarding changes in shareholdings. On March 1, 2005, SanomaWSOY's main shareholders, Aatos Erkko and the estate of Patricia Seppälä, sold a total of 10 million Series B shares, which considerably improved the share's liquidity. As a result, the combined holdings of Aatos Erkko and the bodies he controls fell to below one quarter (1/4) and his direct ownership to below one-fifth (1/5) of SanomaWSOY's share capital.

Robin Langenskiöld's and Rafaela Seppälä's holdings decreased to below one-twentieth (1/20) of the share capital, due to SanomaWSOY's share capital increase on July 22, 2005.

Company shares and Board authorisations

The AGM of April 12, 2005 authorised SanomaWSOY's Board to decide, within one year of the AGM, on an increase of share capital

through one or more rights issues, issuance of one or more convertible bond loans, and/or stock options. Accordingly, the new shares issued shall be of Series B shares, and their aggregate number may not exceed 30,622,430. The total increase of share capital may not exceed EUR 13,167,644.90. The authorisation excludes the personnel incentives.

The AGM also authorised the Board to decide, within one year of the AGM, to acquire the Company's own Series A and B shares. The acquisition would be made by using distributable funds. The aggregate book counter-value of the shares or the total votes conferred by such shares after the acquisition may not exceed 5% of the share capital or of the total votes of the Company. The shares will be acquired in the existing proportion of the different share classes.

SanomaWSOY did not hold own shares (treasury shares) on December 31, 2005, nor did the Board exercise its authorisations in 2005.

Shareholder agreement

The Board of Directors is unaware of any effective agreements related to holdings in SanomaWSOY's shares and the exercise of voting rights.

Dividend policy

SanomaWSOY conducts an active dividend policy and primarily pays out over half of Group results after taxes in dividends. The Board of Directors proposes a dividend of EUR 0.90 (EUR 0.80) per share for 2005.

Management shareholdings

On December 31, 2005, the combined holdings in company shares owned by members of the Board of Directors, President and CEO, and by the bodies they control as referred to in Chapter 1, Section 5 of the Securities Market Act, accounted for 5.13% (5.25%) of all shares and 5.09% (5.11%) of total votes. If all convertible capital notes, as well as the 2001A, 2001B, 2001C, and 2004A and 2004B stock options are converted into shares through subscriptions and the Board members exercise all their subscription rights, the combined hold-

ings by the Board members and President and CEO (including the bodies they control) will account for 5.12% of the total, post-conversion number of shares and 5.08% of total votes, provided that no other changes in holdings will occur.

More detailed information on shareholdings by members of the Board of Directors and the Management Group can be found on Note 31, and on the Group's website at www.sanomawsoy.fi.

SanomaWSOY's guidelines on insider trading can be found on page 75 and on the Group's website.

Trading codes	Series A	Series B	2001A stock options	2001B stock options
Helsinki Stock Exchange	SWSAV	SWSBV	SWSBVEW101	SWSBVEW201
Startel	SWSAV	SWSBV	SWSBVEW101	SWSBVEW201
Bloomberg	SWSAV FH	SWSBV FH	SWSBV101FH	SWSBV201FH
Reuters	SWSAV.HE	SWSBV.HE	SWSBVEW101.HE	SWSBVEW201.HE

Share listing and trading codes

SanomaWSOY shares, 2001A, and 2001B stock options are listed on the Main List of Helsinki Stock Exchange. One trading lot for its share series and stock options is 10 and 50, respectively.

SanomaWSOY's shares are included in the Consumer Discretionary sector index (based on GICS) of the Helsinki Stock Exchange, as well as in OMX Helsinki Cap, OMX Helsinki, and OMXH25 Open indices. In addition, the shares are included in Dow Jones STOXX

indices (600, Small 200, and media sector) and the sustainability index DJSI STOXX.

The shares are entered in the book-entry securities system operated by Finnish Central Securities Depository Ltd. On December 31, 2005, the company had 14,987 shareholders, foreign holdings accounting for 8.97% (4.23%) of all shares and 3.13% (1.87%) of total votes.

SanomaWSOY's share value at Dec. 31, EUR million	2005	2004	2003	2002	2001
Market capitalisation	3 121.5	2 632.2	2 674.6	1 387.0	1 587.3
Series A	489.6	399.0	392.2	232.4	278.6
Series B	2 631.9	2 233.2	2 282.4	1 154.5	1 308.6
Market value of outstanding shares	3 121.5	2 632.2	2 554.9	1 319.1	1 510.4
Series A	489.6	399.0	392.2	232.4	278.6
Series B	2 631.9	2 233.2	2 162.7	1 086.7	1 231.7
Book counter-value, EUR					
Series A	0.43	0.43	0.43	0.43	0.43
Series B	0.43	0.43	0.43	0.43	0.43
Taxable value, EUR					
Series A	16.02	11.90	11.41	7.35	8.40
Series B	13.65	12.04	11.62	6.61	7.49

Other per share ratios can be found in the Key indicators table on page 3.

Share performance

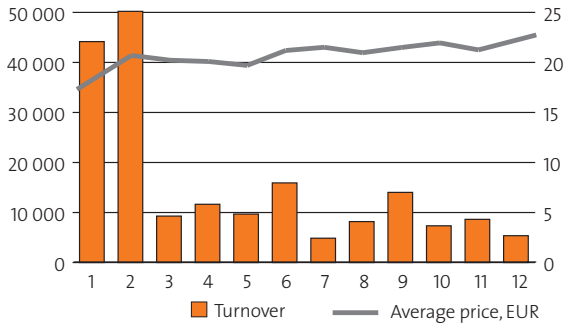
Trading in SanomaWSOY shares almost tripled in 2005, the number of Series A shares and Series B shares traded totalling 189,380 (309,491) and 81,050,272 (29,558,799), respectively. Traded Series A shares accounted for 0.82% (1.33%) of the year's average number of shares and traded Series B shares 61.83% (22.76%). The price of Series A shares averaged EUR 20.05, varying from the EUR 16.85 low to EUR 23.99 high, while that of Series B shares averaged EUR 19.72,

varying from the EUR 17.07 low to EUR 21.60 high.

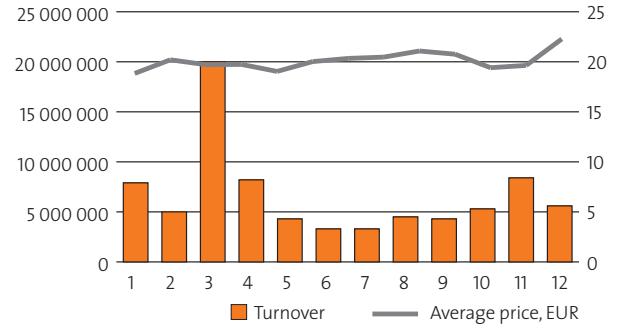
On December 31, 2005, SanomaWSOY's market capitalisation totalled EUR 3,121.5 (2,632.2) million, the Series A share and B share closing at EUR 21.17 (17.20) and EUR 19.67 (17.19), respectively.

Performance of share price and benchmark indices

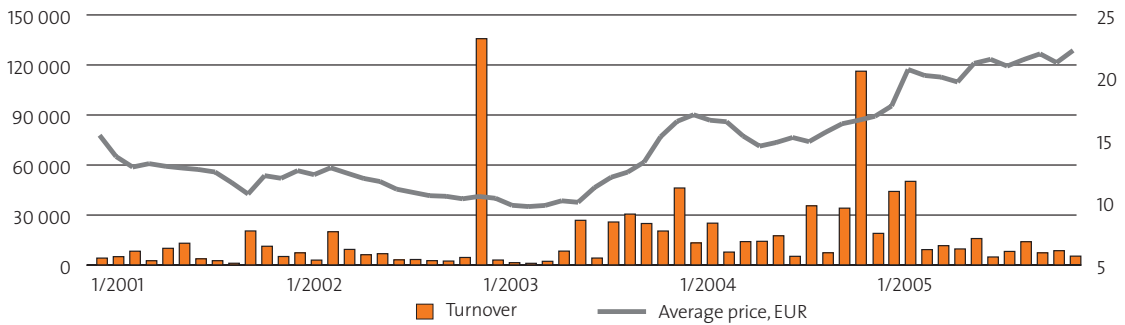
Series A, average price and turnover 2005



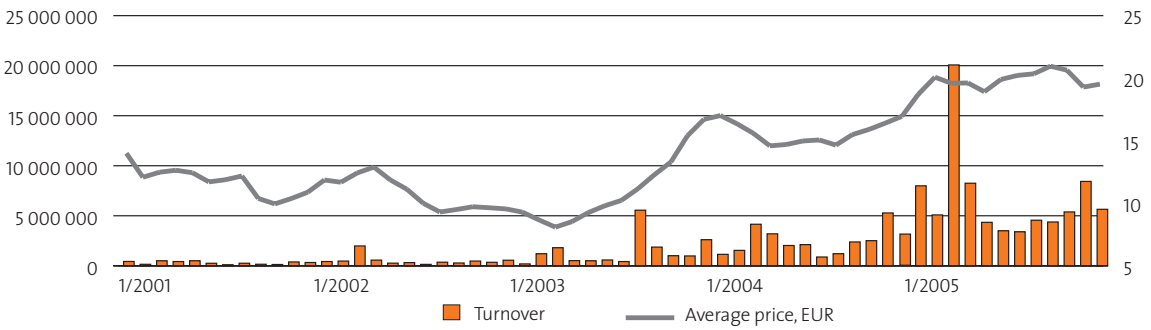
Series B, average price and turnover 2005



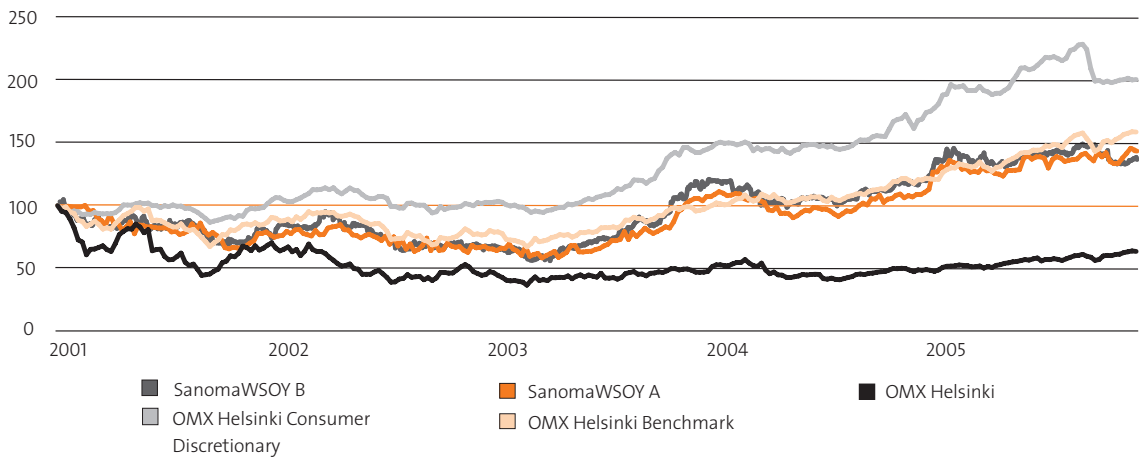
Series A, average price and turnover 2001–2005



Series B, average price and turnover 2001–2005



Series A and B compared to indexes 2001–2005



Stock options

SanomaWSOY has two stock option schemes in place: the Warrant Scheme 2001 authorised by the Extraordinary General Meeting on August 21, 2001 and the Stock Option Scheme 2004 authorised by the Annual General Meeting on March 30, 2004, the latter's last tranche being issued at the turn of 2006/2007.

More detailed information on the terms and conditions (e.g. subscription prices and periods) of these schemes can be found on Note 20.

The stock option schemes cover all of SanomaWSOY's divisions. On December 31, 2005, a total of 2,733,450 outstanding stock options under the Warrant Scheme 2001 were held by 179 managers within the Group and the number of stock options outstanding under the Stock Option Scheme 2004 and held by 222 managers totalled 2,267,500. The remaining agreed-upon and unissued 2004A and 2004B stock options have been allocated to Lastanet Oy, and SanomaWSOY's Board of Directors will decide on their issuance at a later date. The Board of Directors may extend the group of parties entitled to stock options, or decide on the issuance of stock options in connection with corporate transactions or recruitment.

In the event the stock option holder's contract of employment or service terminates prior to the beginning of a share subscription period, he/she will be required to offer his/her stock options back to the company, without compensating his/her for any value increment related to these stock options. However, this does not apply to those whose employment or service contract is no longer effective due to retirement or death.

The first two tranches of the Warrant Scheme 2001 have been listed on the Helsinki Stock Exchange. During 2005, a total of 29,150 Series B shares were subscribed using 7,300 2001A stock options and 21,850 2001B stock options. New shares subscribed on the basis of the stock options entitle their subscribers to all shareholder rights as of the date the share capital increase is entered into the Trade Register.

Information on stock options held by SanomaWSOY's Board of Directors and Management Group can be found on Note 31. A monthly update on insider holdings in traded stock options can be found on the Group's website.

Convertible capital note

As authorised by the EGM on August 21, 2001, the Board of Directors decided, on the same date, to issue a convertible capital note of EUR 200 million for subscription by professional investors in Finland. A more detailed description of this loan can be found on Note 22.

By the end of 2004, SanomaWSOY had redeemed 4,944 notes, which have been invalidated. In 2005, a total of 6,024 notes were converted into 3,786,280 Series B shares. Following the conversions, the loan totalled EUR 90.3 million at the year-end.

The conversion period for the loan runs annually from January 2 to November 30. The imputed conversion price of a share is EUR 15.91. New shares resulting from the conversion of the capital note entitle their holders to receive their first dividends for the financial year during which the conversion took place, while other shareholder rights take effect as of the date the share capital increase is entered into the Trade Register.

Major shareholders at Dec. 31, 2005

	Shareholder	Number of shares					
		Series A	Series B	shares	%	votes	%
1	Aatos Erkko	6 480 816	30 354 720	36 835 536	23.48	159 971 040	26.82
	Aatos Erkko	5 125 832	20 041 660	25 167 492	16.04	122 558 300	20.55
	Oy Asipex Ab	1 354 984	10 313 060	11 668 044	7.44	37 412 740	6.27
2	Patricia Seppälä's estate	2 317 876	6 378 524	8 696 400	5.54	52 736 044	8.84
3	Robin Langenskiöld	1 119 604	6 577 712	7 697 316	4.91	28 969 792	4.86
4	Rafaela Seppälä	1 119 600	6 577 716	7 697 316	4.91	28 969 716	4.86
5	The Helsingin Sanomat Centennial Foundation	915 932	4 086 796	5 002 728	3.19	22 405 436	3.76
6	Ilmarinen Mutual Pension Insurance Company	720 624	3 604 573	4 325 197	2.76	18 017 053	3.02
7	The Alfred Kordelin Foundation	1 780 122	2 217 634	3 997 756	2.55	37 820 074	6.34
8	Sampo Group	456 066	2 056 721	2 512 787	1.60	11 178 041	1.87
	Sampo Life Insurance Company Limited	456 066	2 056 721	2 512 787	1.60	11 178 041	1.87
9	The Finnish Cultural Foundation	1 848 956	507 168	2 356 124	1.50	37 486 288	6.29
10	The Foundation for Actor's Old-Age Home	386 248	1 824 484	2 210 732	1.41	9 549 444	1.60
11	The Werner Söderström Corporation's Literature Foundation	1 335 610	669 727	2 005 337	1.28	27 381 927	4.59
12	The Finnish Literature Society	264 000	1 624 918	1 888 918	1.20	6 904 918	1.16
13	Oy Karl Fazer Ab		1 865 322	1 865 322	1.19	1 865 322	0.31
14	Oy Premiere Holding Oy		1 629 974	1 629 974	1.04	1 629 974	0.27
15	Tapiola Group		1 621 309	1 621 309	1.03	1 621 309	0.28
	Tapiola Mutual Pension Insurance Company		753 308	753 308	0.48	753 308	0.13
	Tapiola General Mutual Insurance Company		484 017	484 017	0.31	484 017	0.08
	Tapiola Mutual Life Assurance Company		285 384	285 384	0.18	285 384	0.05
	Tapiola Corporate Life Insurance Ltd		98 600	98 600	0.06	98 600	0.02
16	The State Pension Fund		1 600 000	1 600 000	1.02	1 600 000	0.27
17	OP Delta Mutual Fund		1 497 495	1 497 495	0.95	1 497 495	0.25
18	Etera Mutual Pension Insurance Company		1 319 940	1 319 940	0.84	1 319 940	0.22
19	Varma Mutual Pension Insurance Company		1 150 555	1 150 555	0.73	1 150 555	0.19
20	Fennia Group		1 201 452	1 201 452	0.76	1 201 452	0.20
	Mutual Insurance Company Pension-Fennia		1 132 452	1 132 452	0.72	1 132 452	0.19
	Fennia Life Insurance Company Ltd		69 000	69 000	0.04	69 000	0.01
20 largest, total		18 745 454	78 366 740	97 112 194	61.89	453 275 820	76.00
Nominee registrations total		41 869	11 495 948	11 537 817	7.35	12 333 328	2.07

Shareholders are grouped according to the direct holdings of individual shareholders and the shares held by their investment companies and stated as aggregate amounts and specified category. The shareholdings of companies belonging to the same group are stated both as aggregate amounts and specified by category. The monthly updated list of major shareholders can be found on the Group's website at www.sanomawsoy.fi.

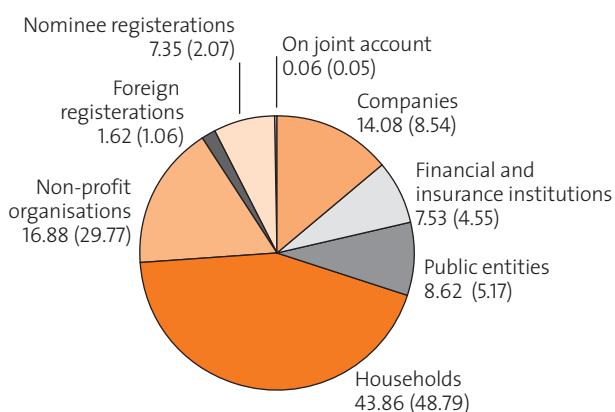
Shareholders by sector at Dec. 31, 2005

	Number of shareholders	%	Number of shares	%	Number of votes	%
Companies	1 130	7.54	22 103 617	14.08	50 908 092	8.54
Financial and insurance institutions	112	0.75	11 819 240	7.53	27 137 306	4.55
Public entities	61	0.41	13 522 646	8.62	30 847 758	5.17
Households	13 136	87.65	68 829 613	43.86	290 964 332	48.79
Non-profit organisations	446	2.98	26 489 783	16.88	177 548 485	29.77
Foreign registrations	92	0.61	2 534 692	1.62	6 328 859	1.06
Nominee registrations	10	0.07	11 537 817	7.35	12 333 328	2.07
Total	14 987	100.00	156 837 408	99.94	596 068 160	99.95
On joint account			90 174	0.06	278 350	0.05
Number of shares on the market			156 927 582	100.00	596 346 510	100.00

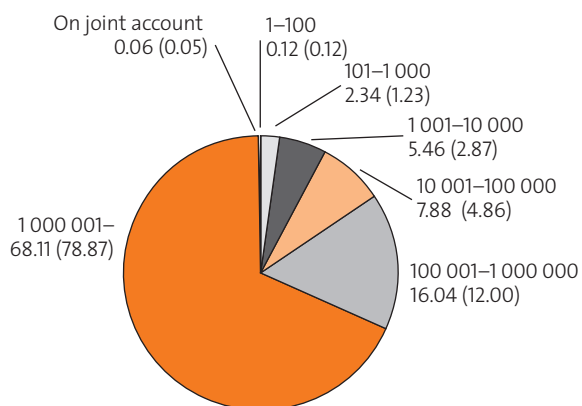
Shareholdings by number of shares owned at Dec. 31, 2005

Number of shares	Number of shareholders	%	Number of shares	%	Number of votes	%
1-100	2 952	19.70	186 142	0.12	726 521	0.12
101-1 000	8 580	57.25	3 676 243	2.34	7 356 581	1.23
1 001-10 000	2 922	19.50	8 565 983	5.46	17 088 072	2.87
10 001-100 000	429	2.86	12 360 409	7.88	28 994 396	4.86
100 001-1 000 000	81	0.54	25 165 008	16.04	71 583 452	12.00
1 000 001-	23	0.15	106 883 623	68.11	470 319 138	78.87
Total	14 987	100.00	156 837 408	99.94	596 068 160	99.95
On joint account			90 174	0.06	278 350	0.05
Number of shares on the market			156 927 582	100.00	596 346 510	100.00

SanomaWSOY's shareholders by sectors, % of shares (% of votes)



SanomaWSOY's shareholders by number of shares owned, % of shares (% of votes)



Parent Company income statement, FAS

EUR million	Note	1.1–31.12.2005	1.1–31.12.2004
Other operating income	2	7.1	9.6
Personnel expenses	3	7.3	8.3
Depreciation and decrease in value	8, 9, 10	0.7	1.7
Other operating expenses	4	11.0	12.5
OPERATING PROFIT (LOSS)		-11.9	-12.9
Financial income and expenses	5	5.3	-9.2
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS		-6.7	-22.1
Extraordinary items	6	76.0	73.5
PROFIT (LOSS) AFTER EXTRAORDINARY ITEMS		69.4	51.4
Appropriations	15	0.5	0.2
Income taxes	7	6.2	6.0
PROFIT (LOSS) FOR THE YEAR		76.1	57.6

Parent Company balance sheet, FAS

EUR million	Note	31.12.2005	31.12.2004
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	1.5	0.7
Tangible assets	9	9.3	15.2
Investments	10	1 783.9	1 743.0
NON-CURRENT ASSETS, TOTAL		1 794.7	1 758.8
CURRENT ASSETS			
Long-term receivables	11	0.5	1.5
Short-term receivables	12	52.0	130.6
Securities	13	3.4	2.1
Cash and cash equivalents		4.4	0.5
CURRENT ASSETS, TOTAL		60.3	134.7
ASSETS, TOTAL		1 855.0	1 893.5
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
	14		
Share capital		67.5	65.8
Premium fund		77.6	18.8
Other reserves		355.7	355.7
Retained earnings		53.6	118.8
Profit (loss) for the year		76.1	57.6
Capital notes		90.3	150.6
SHAREHOLDERS' EQUITY, TOTAL		720.8	767.3
APPROPRIATIONS	15	0.0	0.5
PROVISIONS	16		0.2
LIABILITIES			
Non-current liabilities	17		117.4
Current liabilities	18	1 134.2	1 008.1
SHAREHOLDERS' EQUITY AND LIABILITIES, TOTAL		1 855.0	1 893.5

Parent Company cash flow statement, FAS

EUR million	1.1–31.12.2005	1.1–31.12.2004
OPERATIONS		
Result for the period	76.1	57.6
Adjustments		
Income taxes	-6.2	-6.0
Appropriations	-0.5	-0.2
Extraordinary items	-76.0	-73.5
Financial income and expenses	-5.3	9.2
Depreciation and decrease in value	0.7	1.7
Profit on sales of non-current assets	-1.7	-0.8
Change in working capital		
Change in trade and other receivables	-0.3	0.2
Change in trade and other payables, and provisions	-1.2	0.0
Interest paid	-35.9	-36.1
Other financial items	-0.3	0.1
Group contributions	158.3	57.1
Dividends received	17.8	11.0
Taxes paid	-13.6	-14.3
CASH FLOW FROM OPERATIONS	111.9	6.1
INVESTMENTS		
Acquisition of tangible and intangible assets	-1.5	-0.3
Group companies acquired		-86.0
Acquisition of other holdings	0.0	
Sales of tangible and intangible assets	7.4	1.3
Associated companies sold	1.3	2.3
Sales of other companies	4.5	8.0
Increase(-)/decrease(+) in loan receivables with short maturity	8.8	25.6
Long-term loans granted	-117.3	-12.9
Repayments of long-term loan receivables	30.9	25.0
Interest received	23.7	23.4
CASH FLOW FROM INVESTMENTS	-42.2	-13.7
CASH FLOW BEFORE FINANCING	69.7	-7.6
FINANCING		
Proceeds from share subscriptions	0.3	
Change in loans with short maturity	41.2	39.5
Drawings of other loans	459.8	670.0
Repayments of other loans	-438.0	-587.9
Dividends paid	-122.5	-160.3
Donations/other profit sharing	-0.4	-0.3
CASH FLOW FROM FINANCING	-59.5	-39.0
Change in cash and cash equivalents according to the cash flow statement	10.2	-46.7
Cash and cash equivalents received in merger with subsidiary	1.3	17.5
Net increase(+)/decrease(-) in cash and cash equivalents	11.4	-29.2
Cash and cash equivalents at Jan. 1	-4.1	25.1
Cash and cash equivalents at Dec. 31	7.3	-4.1

Classification of changes in loan receivables and loan payables has been adjusted. Drawing and repayments of loans with short maturity are no longer separately presented. Cash and cash equivalents include bank overdrafts. Comparative data 2004 has been adjusted accordingly.

5. FINANCIAL INCOME AND EXPENSES

Financial income and expenses, EUR million	2005	2004
Dividend income		
From Group companies	17.8	15.5
From other companies	0.0	0.0
Total	17.8	15.6
Interest income from investments under non-current assets		
From Group companies	23.2	18.9
From other companies	0.0	0.1
Total	23.2	18.9
Other interest and financial income		
From Group companies	0.5	1.1
From other companies	1.2	2.0
Exchange rate gains	0.4	0.8
Total	2.2	3.9
Decrease in value of investments		
Investments under non-current assets	0.5	1.8
Total	0.5	1.8
Interest and other financial expenses		
To Group companies	6.4	7.7
To associated companies	30.5	37.1
Exchange rate losses	0.5	0.9
Total	37.4	45.7
Total	5.3	-9.2

6. EXTRAORDINARY ITEMS

Extraordinary items, EUR million	2005	2004
Extraordinary income		
Group contributions received	91.4	74.3
Other extraordinary income	14.4	22.2
Extraordinary expenses		
Group contributions given		2.0
Other extraordinary expenses	5.9	
Income taxes on extraordinary items	-23.8	-21.0
Total	76.0	73.5

Other extraordinary items are related to internal changes in Group structure.

7. INCOME TAXES

Income taxes, EUR million	2005	2004
Taxes on operational income for the financial year	6.7	5.8
Income taxes from previous periods	-0.5	0.2
Total	6.2	6.0

8. INTANGIBLE ASSETS

Intangible assets 2005, EUR million	Intangible assets	Other long-term investments	Advance payments	Total
Acquisition cost at Jan. 1, 2005	0.6	2.2		2.7
Increases	0.1	0.1	0.9	1.1
Decreases	0.0	0.0		0.0
Acquisition cost at Dec. 31, 2005	0.6	2.3	0.9	3.8
Accumulated depreciation and decrease in value at Jan. 1, 2005	-0.2	-1.8		-2.1
Depreciation for the period	-0.1	-0.1		-0.2
Accumulated depreciation and decrease in value at Dec. 31, 2005	-0.4	-1.9		-2.3
Book value at Dec. 31, 2005	0.3	0.3	0.9	1.5

Intangible assets 2004, EUR million	Intangible assets	Other long-term investments	Advance payments	Total
Acquisition cost at Jan. 1, 2004	0.4	1.9	0.4	2.7
Decreases		0.0		0.0
Reclassifications	0.1	0.3	-0.4	
Acquisition cost at Dec. 31, 2004	0.6	2.2		2.7
Accumulated depreciation and decrease in value at Jan. 1, 2004	-0.1	-1.6		-1.8
Depreciation for the period	-0.1	-0.2		-0.3
Accumulated depreciation and decrease in value at Dec. 31, 2004	-0.2	-1.8		-2.1
Book value at Dec. 31, 2004	0.3	0.3		0.7

9. TANGIBLE ASSETS

Tangible assets 2005, EUR million	Land and water *	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost at Jan. 1, 2005	11.8	4.4	10.5	1.4	28.1
Increases		0.0	0.3	0.0	0.4
Decreases	-5.7	-1.0	-0.1		-6.8
Acquisition cost at Dec. 31, 2005	6.1	3.4	10.7	1.5	21.7
Accumulated depreciation and decrease in value at Jan. 1, 2005	-0.7	-2.7	-9.5		-13.0
Decreases	0.7	0.4			1.1
Depreciation for the period		-0.1	-0.4		-0.5
Accumulated depreciation and decrease in value at Dec. 31, 2005		-2.4	-10.0		-12.4
Book value at Dec. 31, 2005	6.1	1.0	0.7	1.5	9.3

* Book value and acquisition cost at Dec. 31, 2005 of land and water include value appreciations totalling EUR 0.5 million.

Tangible assets 2004, EUR million	Land and water *	Buildings and structures	Machinery and equipment	Other	Total
Acquisition cost at Jan. 1, 2004	12.1	5.1	10.2	1.4	28.8
Increases		0.0	0.3		0.3
Decreases	-0.2	-0.7	-0.1		-1.0
Acquisition cost at Dec. 31, 2004	11.8	4.4	10.5	1.4	28.1
Accumulated depreciation and decrease in value at Jan. 1, 2004		-2.4	-9.1		-11.5
Depreciation for the period		-0.1	-0.5		-0.6
Decrease in value for the period	-0.7	-0.2			-0.9
Accumulated depreciation and decrease in value at Dec. 31, 2004	-0.7	-2.7	-9.5		-13.0
Book value at Dec. 31, 2004	11.1	1.7	0.9	1.4	15.2

* Book value and acquisition cost at Dec. 31, 2004 of land and water include value appreciations totalling EUR 4.4 million.

10. INVESTMENTS

Investments 2005, EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at Jan. 1, 2005	1 241.4	482.6	3.3		19.2	3.9	1 750.4
Increases		86.8					86.8
Decreases	-40.2		-1.3		-4.5	-0.4	-46.4
Acquisition cost at Dec. 31, 2005	1 201.3	569.4	1.9		14.8	3.5	1 790.8
Accumulated decrease in value at Jan. 1, 2005	-1.6		-1.1		-5.0		-7.7
Decreases and reclassifications	1.0						1.0
Decrease in value for the period	-0.2		-0.3		0.0		-0.5
Accumulated depreciation and decrease in value at Dec. 31, 2005	-0.7		-1.4		-5.1		-7.2
Exchange rate differences		0.3					0.3
Book value at Dec. 31, 2005	1 200.5	569.7	0.6		9.7	3.5	1 783.9

Investments 2004, EUR million	Interest in Group companies	Receivables from Group companies	Interest in associated companies	Receivables from associated companies	Other shares and holdings	Other receivables	Total
Acquisition cost at Jan. 1, 2004	1 152.8	590.0	5.4	0.1	29.2	4.2	1 781.8
Increases	86.0						86.0
Decreases	0.0	-107.4	-2.3	-0.1	-7.5	-0.1	-117.4
Reclassifications	2.5		0.2		-2.5	-0.2	
Acquisition cost at Dec. 31, 2004	1 241.4	482.6	3.3		19.2	3.9	1 750.4
Accumulated decrease in value at Jan. 1, 2004	-1.6		-0.8		-3.6		-5.9
Decreases and reclassifications					0.3		0.3
Decrease in value for the period			-0.3		-1.8		-2.1
Accumulated depreciation and decrease in value at Dec. 31, 2004	-1.6		-1.1		-5.0		-7.7
Exchange rate differences		0.2					0.2
Book value at Dec. 31, 2004	1 239.8	482.9	2.2		14.2	3.9	1 743.0

11. LONG-TERM RECEIVABLES

Long-term receivables, EUR million	2005	2004
Accrued income	0.5	1.5
Total	0.5	1.5

12. SHORT-TERM RECEIVABLES

Short-term receivables, EUR million	2005	2004
Trade receivables	0.3	0.2
Accrued income *	10.2	80.3
Loan receivables	40.5	49.4
Other receivables	1.0	0.7
Total	52.0	130.6
Receivables from Group companies		
Trade receivables	0.2	0.2
Accrued income	9.5	78.4
Loan receivables	40.5	49.4
Total	50.3	128.0
* Most significant items of accrued items are the Group contributions and interest income accruals (2004: mainly the Group contributions).		

13. DIFFERENCE BETWEEN THE REACQUISITION COST AND THE BOOK VALUE OF SECURITIES

Securities, EUR million	2005	2004
Reacquisition cost	3.4	2.1
Book value	3.4	2.1
Difference	0.0	0.0

14. SHAREHOLDERS' EQUITY

Shareholders' equity, EUR million	2005	2004
Share capital at Jan. 1	65.8	68.9
Increase in share capital	1.6	
Invalidation of shares		-3.1
Share capital at Dec. 31	67.5	65.8
Share capital at Jan. 1	18.8	15.7
Increase in share capital	58.9	
Invalidation of shares		3.1
Share capital at Dec. 31	77.6	18.8
Other reserves at Jan. 1	355.7	355.7
Other reserves at Dec. 31	355.7	355.7
Retained earnings at Jan. 1	176.4	379.6
Dividends	-122.5	-160.3
Change in Group structure*		-100.2
Other changes	-0.4	-0.3
Retained earnings at Dec. 31	53.6	118.8
Profit (loss) for the year	76.1	57.6
Capital notes at Jan. 1	150.6	163.8
Changes	-60.2	-13.2
Capital notes at Dec. 31	90.3	150.6
Shareholders' equity, total	720.8	767.3
* Change in the Group structure in 2004 is related to Tiikerijakelu merger to SanomaWSOY.		

Further information of share capital and Parent Company convertible capital note is presented in the notes of the consolidated financial statements. According to FAS principles, capital note is included in shareholders' equity.

Distributable earnings at Dec. 31, EUR million	2005	2004
Other distributable reserves	355.7	355.7
Retained earnings	53.6	118.8
Profit (loss) for the year	76.1	57.6
Total	485.3	532.1

15. APPROPRIATIONS

Appropriations consist of cumulative depreciation differences.

16. PROVISIONS

Provisions, EUR million	2005	2004
Other provisions		0.2
Total		0.2

17. NON-CURRENT LIABILITIES

Non-current liabilities, EUR million	2005	2004
Loans from financial institutions		80.0
Other liabilities		37.4
Total		117.4
Liabilities to Group companies		
Other liabilities		37.4
Total		37.4

18. CURRENT LIABILITIES

Current liabilities, EUR million	2005	2004
Loans from financial institutions	436.7	370.8
Commercial papers	419.1	283.7
Trade payables	1.7	0.4
Accrued expenses *	11.2	15.7
Advances received	0.0	0.1
Other liabilities	265.5	337.5
Total	1134.2	1008.1
Liabilities to Group companies		
Trade payables	0.2	0.2
Accrued expenses	0.0	3.6
Other liabilities	264.9	337.0
Total	265.1	340.8

* Most significant items of accrued items are related to interest expense accruals, income taxes, and accrued personnel expenses.

19. CONTINGENT LIABILITIES

Contingent liabilities, EUR million	2005	2004
Contingencies given on behalf of Group companies		
Guarantees	89.2	106.8
Total	89.2	106.8
Contingencies given on behalf of associated companies		
Guarantees	7.9	7.9
Total	7.9	7.9
Contingent liabilities, total	97.1	114.7

Nominal values and fair values of Parent Company derivative contracts have been presented in the notes to the consolidated financial statements, Note 27. All consolidated derivative figures consist of Parent Company derivative contracts.

Board's proposal for application of profits, and signatures

The Group's distributable funds for 2005 total EUR 883,427,698.28. The Parent Company's distributable funds as of December 31, 2005 total EUR 485,342,447.28, of which the profit for the year is EUR 76,091,224.52.

The Board of Directors will propose to the Annual General Meeting that

- a dividend of EUR 0.90 per share shall be paid EUR 141,234,823.80
- the following sum shall be transferred to the donation reserve and used at the Board's discretion EUR 375,000.00
- shareholders' equity shall be set at EUR 343,732,623.48

The dividend will be paid to shareholders registered with the Shareholder Register maintained by the Finnish Central Securities Depository on the record date set by the Board for payment of the dividend, Thursday April 6, 2006. The Board will propose to the Annual General Meeting that the dividend shall be paid on Wednesday April 19, 2006.

Signatures for the Financial Statements and for the Board of Directors' Report

Helsinki, February 9, 2006

Jaakko Rauramo
Chairman

Sari Baldauf
Vice Chairman

Robert Castrén

Jane Erkkö

Paavo Hohti

Sirkka Hämäläinen-Lindfors

Seppo Kievari

Robin Langenskiöld

Hannu Syrjänen

Sakari Tamminen

To the shareholders of SanomaWSOY Corporation

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of SanomaWSOY Corporation for the period 1.1–31.12.2005. The Board of Directors and the President have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the Parent Company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the Parent Company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the Parent Company's financial statements and the administration.

We 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 report of the Board of Directors and the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the report of the Board of Directors and 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 our audit of the administration is to examine whether the members of the Board of Directors and the President of the Parent Company have complied with the rules of the Companies Act.

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent Company's financial statements, report of the Board of Directors and administration

In our opinion the Parent Company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The Parent Company's financial statements give a true and fair view of the Parent Company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the Parent Company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the Parent Company's 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 regarding the disposal of distributable funds is in compliance with the Companies Act.

Helsinki, March 2, 2006

PricewaterhouseCoopers Oy

Authorised Public Accountants

Johanna Perälä
Authorised Public
Accountant

Pekka Nikula
Authorised Public
Accountant

The SanomaWSOY Group comprises five, fully owned divisions: Sanoma Magazines, Sanoma, WSOY, SWelcom, and Rautakirja.

SanomaWSOY's divisions operate independently within the scope of agreed goals and operating principles. SanomaWSOY Corporation, the Parent Company, is responsible for the Group's strategic control, administration, finance, asset management, and Group-wide cooperation projects. Managing the Group and its businesses is based on a clear organisational structure, well-defined areas of authority and responsibility, shared strategy and policy guidelines, and the supporting planning and reporting systems.

SanomaWSOY adheres to the Corporate Governance Recommendation for Listed Companies issued by Helsinki Stock Exchange (HSE), the Central Chamber of Commerce of Finland, and the Confederation of Finnish Industries – EK, except for Recommendation 12 governing the term of Board members. SanomaWSOY's current corporate governance principles approved by the Board of Directors are available on the Group's website at www.sanomawsoy.fi.

Administrative bodies

SanomaWSOY's administrative bodies comprise the Shareholders' meeting, the Board of Directors, and the President and CEO.

Shareholders' meeting

The Shareholders' meeting is SanomaWSOY's highest decision-making body, convening at least once a year in accordance with the Articles of Association. The Annual General Meeting (AGM) convenes within six months from the end of the financial year at the time stipulated by the Board of Directors.

The AGM decides, for example, on adopting the financial statements, distributing dividends, and discharging the Board of Directors and the President and CEO from liability. In addition, it determines the number of SanomaWSOY's Board members and elects the Board Chairman, Vice Chairman, and Board members replacing outgoing members, as well as deciding on Board emoluments. The AGM also elects auditors and determines their remuneration. The Board of Directors implements decisions made by the Shareholders' meeting.

The Board of Directors summons the Shareholders' meeting and prepares matters to be discussed at the meeting. Under the Finnish Companies Act, a shareholder may also request in writing to the company's Board of Directors that his/her proposal be discussed at the next Shareholders' meeting. Notice of the Shareholders' meeting is published in at least one newspaper with a wide circulation not earlier than six weeks and no later than 17 days prior to the meeting.

Board of Directors

In accordance with the Articles of Association, the Board of Directors comprises 5–11 members elected by the Shareholders' meeting. In addition, a maximum of two employee representatives may be elected as Board members. The Board meeting has a quorum when more than half of the Board members are present. In the case of an equal vote, the Chairman holds a casting vote.

The term of Board members begins at the close of the AGM and expires after the third AGM following their election. If a Board member's seat becomes vacant before the end of this three-year period, a new member will be elected for the remaining term. In accordance with the Articles of Association, no person over the age of 75, or who will turn 75 during his/her term, may be elected to the Board of Directors.

According to HSE's Corporate Governance Recommendation, the term of a Board member should be one year. The term of SanomaWSOY's Board member is three years, and the company holds the view that the nature of its business makes it necessary for Board members to sit on the Board for a longer term than one year in order to familiarise themselves with, and commit themselves to, the Group's operations. SanomaWSOY applies a practice for Board members' terms in such a way that about one-third of the members are elected every year.

The current Board, elected by the AGM of April 12, 2005, comprises ten members. The term of Jaakko Rauramo, Sari Baldauf, and Sakari Tamminen will expire upon the AGM 2006; that of Sirkka Hämäläinen-Lindfors, Seppo Kievari, and Hannu Syrjänen upon the AGM 2007; and that of Robert Castrén, Jane Erkkö, Paavo Hohti, and Robin Langenskiöld upon the AGM 2008. More detailed information on Board members can be found on pages 46–47 in the Annual Report.

Jaakko Rauramo acted as the Board's full-time Chairman in 2005. Of the Board members, Hannu Syrjänen, President and CEO, is also employed by the Group. Half of the Board members (Sari Baldauf, Robert Castrén, Paavo Hohti, Sirkka Hämäläinen-Lindfors, and Sakari Tamminen) are non-executive directors independent of the company and its major shareholders, in the manner referred to in HSE's Recommendation. Jane Erkkö and Robin Langenskiöld are also non-executive directors independent of the company. Consequently, the majority of the Board members are independent of the company.

By virtue of the Companies Act, SanomaWSOY's Board of Directors is responsible for Group administration and organising Group management. The Board appoints the Group President and CEO, his/her deputy, and the Parent Company executives who are SanomaWSOY's Management Group members. In addition, it approves the appointments of division Presidents, their deputies, and the Senior Editors-in-Chief of Helsingin Sanomat and Ilta-Sanomat, as well as determines their remuneration. In order to develop its performance, the Board uses a self-assessment process on a regular basis.

In 2005, the Board of Directors met eight times, at the average attendance rate of 96%.

Board committees

The Executive Committee prepares matters to be discussed at Board meetings, in accordance with the Articles of Association. The Board is authorised to set other committees that it deems appropriate. In 2005, SanomaWSOY's Board committees, in addition to the Executive Committee, included the Audit Committee, the Compensa-

tion Committee, and the Editorial Committee, whose policies and responsibilities have been confirmed by the Board of Directors.

The Executive Committee, which prepares matters to be discussed at Board meetings, comprised Jaakko Rauramo (Chairman), Sari Baldauf (Vice Chairman), as well as President Hannu Syrjänen at the end of 2005. In 2005, it convened seven times, with all members present at the meetings.

The Audit Committee plans, controls, and assesses Group risk management, financial reporting procedures, audit and internal audit work, the reliability of internal control systems, and compliance with corporate governance. In 2005, it prepared and conducted the tender process for the Group's statutory audit. The AGM 2006 will appoint statutory auditors. At the end of 2005, the Audit Committee comprised Sakari Tamminen (Chairman), Robert Castrén (Vice Chairman), Robin Langenskiöld, and Sirkka Hämäläinen, all of them independent of the company. In 2005, the Committee met four times with an average attendance rate of 94%.

The Compensation Committee, which is responsible for preparing matters related to management remuneration and the Group's remuneration policy, comprised Sari Baldauf (Chairman), Paavo Hohti (Vice Chairman), Jane Erkkö, and Seppo Kievari, at the end of 2005. In 2005, it convened twice, with an average attendance rate of 88%.

The Editorial Committee has the duty of monitoring the editorial policies of the Group's major newspapers and preparing changes in these policies and the appointments of Senior Editors-in-Chief. At the end of 2005, the Editorial Committee comprised Seppo Kievari (Chairman), Jane Erkkö (Vice Chairman), Paavo Hohti, and Sirkka Hämäläinen. In 2005, it convened twice, with all members present at the meetings.

Chairman of the Board

The Chairman of the Board of Directors prepares, in cooperation with the President and CEO, matters to be discussed at Board meetings and chairs Board and Executive Committee meetings. The Chairman specialises in preparing issues related to the Group's strategic decisions and guidelines, as well as strategic HR issues. He is also responsible for managing the Group's external relations on an extensive basis together with the President. Jaakko Rauramo acted as SanomaWSOY's full-time Chairman in 2005.

Previously, the Chairman was involved in the management of day-to-day business operations in pre-agreed special cases, such as those related to the Group's major growth and internationalisation projects. On December 12, 2005, SanomaWSOY announced that the Chairman's position would become a part-time one during 2006 and his/her previous duties related to the daily business management would be assigned to the President and CEO as of January 1, 2006.

President

The duties of the President are primarily governed by the Finnish Companies Act. SanomaWSOY's President assumes independent responsibility for the Group's daily operations, in line with strategic

goals and budgets approved by the Board of Directors and in accordance with general principles confirmed by the Board of Directors. He is in charge of the management of the Group's daily operations, preparing matters to be discussed at Board meetings, and presenting these matters to the Board and its Committees. He also chairs SanomaWSOY's Management Group and the Boards of Directors of SanomaWSOY's divisions, unless otherwise agreed in special cases. Hannu Syrjänen acted as SanomaWSOY's President in 2005.

On December 12, 2005, SanomaWSOY announced that the Chairman of the Board's daily business management duties, focusing on the SanomaWSOY Group's major strategic growth and internationalisation projects, would be assigned to the President and CEO from the beginning of 2006.

Management Group

SanomaWSOY's Management Group prepares matters to be discussed at Board meetings and coordinates Group management. The Management Group does not hold an official decision-making status, but the guidelines and principles discussed and recommended by it are implemented within the framework of the President and CEO's powers, or legitimately discussed at SanomaWSOY's or its subsidiaries' Board meetings. The Management Group's presentation can be found on page 48–49 in the Annual Report.

Remuneration and incentives

On the Compensation Committee's proposal, the Board of Directors approves remuneration and benefits payable to the President and CEO and other senior managers. The AGM determines Board emoluments.

In 2005, SanomaWSOY's management received a total of EUR 5.1 million (2004: EUR 4.7 million) in remuneration. The management entitled to this remuneration includes SanomaWSOY's Board members, President and division Presidents, as well as other Management Group members. This total amount includes only the remuneration and benefits paid to these persons for their duties during the financial year. An itemised statement on paid remuneration can be found on Note 30.

More detailed information on the management's relationships and links with the SanomaWSOY Group can be found on Note 30.

Board of Directors

Monthly emoluments paid to SanomaWSOY's Board of Directors in 2005 were as follows:

- Chairman: EUR 5,500
- Vice Chairman: EUR 5,000
- Members: EUR 4,000

The AGM of April 12, 2005 decided that Board members would not receive meeting fees, but Committee members would receive a fee of EUR 1,000 per Committee meeting.

Board members involved in SanomaWSOY's stock option schemes include Chairman Jaakko Rauramo, President and CEO Hannu Syrjänen, and Seppo Kievari.

Chairman of the Board

In 2005, Jaakko Rauramo, the Board's full-time Chairman, received around EUR 992,300 (2004: about EUR 937,900) in remuneration, bonuses, and other benefits. He is entitled to retire at the age of 60 (his pension amounting to 60% of his pension salary) if he or the company so wishes, under the provisions of Sanoma Corporation's pension fund. The Chairman's service contract is valid for the term of his chairmanship, unless otherwise agreed or decided by the AGM. Rauramo has notified of retiring during 2006. He holds 100,000 2001B stock options and 100,000 2001C stock options.

President

In 2005, Hannu Syrjänen, President, received around EUR 818,600 (2004: some EUR 765,400) in remuneration, bonuses, and other benefits. According to his executive contract, he will retire at the age of 60, unless specifically otherwise agreed, his pension amounting to some 60% of his pension salary. The President and CEO is subject to a six-month period of notice and his severance pay equals his 18-month salary. The severance pay includes a fixed-term non-competition clause. Syrjänen holds 50,000 2001A, 50,000 2001B, 50,000 2001C, 50,000 2004A, and 50,000 2004B stock options.

Other management

Other SanomaWSOY's Management Group members are mainly entitled to retire at the age of 60, their pension being some 60% of their pension salary. They are subject to a six-month period of notice and their severance pay equals their 12-month salary. The severance pay includes a fixed-term non-competition clause. Information on Management Group members' shareholdings and stock options can be found on Note 31.

Group incentive schemes

All SanomaWSOY's divisions run incentive schemes designed to encourage employees to achieve business goals, commit themselves to the company, and to reward them for good performance and results. In addition to pay based on their skills, responsibilities, and performance, employees may receive one-off bonuses and can be involved in short-term incentive schemes based on earnings logics specific to each division.

SanomaWSOY's Board of Directors confirms general principles governing the Group's incentive schemes. Incentives are determined by the previous year's performance, competitive situation, the life-cycle of the business, action plans, and other similar factors. Sanoma and Sanoma Magazines Finland also maintain a personnel profit-sharing fund, and annual payments from this fund are based on yearly operational results.

The Group also has two stock option schemes in place, on which more detailed information can be found on Note 20, and page 57, Shares and Shareholders.

Risks and risk management

SanomaWSOY's Board of Directors defines Group goals, responsibilities, and controls principles, as well as monitors methods to man-

age major, identified risks.

The Group's financial performance is monitored on a monthly basis, using a Group-wide operational planning and reporting system which includes comments by the divisions' management, the actual income statements, balance sheets, and key performance indicators, as well as up-to-date forecasts for the current financial year and the rolling 12 months.

The Board of Directors annually elects, from among its members, the Audit Committee, which plans, controls, and assesses Group risk management, financial reporting procedures, audit and internal audit work, the reliability of internal control systems, and compliance with corporate governance, in accordance with the policy confirmed by the Board of Directors. All Board members may attend Audit Committee meetings if they so wish.

Internal Audit Services is reporting directly to SanomaWSOY's President and CEO and cooperating with the Management Group, the Audit Committee, and the Group's auditors. It is responsible for internal audits involving assessing the adequacy and efficiency of risk management, internal control, and governance procedures. The scope of the Internal Audit Services covers all of the Group's organisational levels and subsidiaries. The Department's operations are steered by the Group's Corporate Governance Principles and internal audit policy issued by the Audit Committee. The Audit Committee confirms the annual internal audit plan.

In 2005, PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, acted as SanomaWSOY's auditor in charge and received a total of EUR 2.4 million in remuneration, of which the statutory audit accounted for EUR 1.6 million. Other remuneration paid to auditors came, for example, from circulation audits in countries with no official national circulation audit in place, and from consulting services related, for instance, to taxation and corporate transactions.

The Group assumes manageable risks to make the most of business opportunities. In 2005, SanomaWSOY analysed its major risks and risk exposure. Normal business risks in the industry are associated with developments in media advertising and consumer spending. Media advertising is sensitive to economic fluctuations. Only around one-fifth of SanomaWSOY's net sales come from media advertising.

The Group's five divisions operate in versatile fields of media in over 20 European countries. Consequently, the Group's results are not heavily dependent on the development of any individual business unit. SanomaWSOY has a wide product and service portfolio, which reduces the Group's susceptibility to risks associated with an individual product or product launch. SanomaWSOY's international business areas – magazine publishing, educational publishing, and press distribution – are not primarily exposed to any political risks.

The Group has identified rapid technological progress as a business risk component with an effect on the nature of business. ICT systems and their performance also play a major role in many Group businesses.

In recent years, SanomaWSOY has grown vigorously due to acquisitions. As a result, the consolidated balance sheet includes about EUR 1.5 billion in goodwill, publishing rights, and other intangible assets related to acquired businesses. Due to the adoption of IFRS, instead of regularly amortising goodwill, it is tested for impairment on an annual basis, or whenever there is any indication of impairment due to a change in circumstances. Such an impairment test is carried out annually in the autumn upon the completion of the Group's strategic plans. Impairment losses for 2005 totalled EUR 1.8 (1.5) million. There was no indication of other impairment losses.

The Group's successful performance depends on its personnel, their willingness to upgrade their competencies and listen to customers, as well as on their skills in developing appealing products and services. Due to changes in the population age structure, recruiting and retaining skilled and motivated staff may become more difficult in the years to come. In response to this, SanomaWSOY continuously improves its employee reward systems, in-house training programmes, and opportunities for job rotation, among other things. In an effort to prepare for job market changes due to ageing population, it makes use of successor plans. In 2005, SanomaWSOY analysed the employee age structure within the Group and identified units with the highest rate of retirement within the next few years.

Dealing with risks associated with investment decisions, SanomaWSOY's Corporate Governance Principles define the approval procedures for investments. Various administrative bodies discuss investments when addressing strategies, action plans, and budgets. Final investment decisions are made on the basis of specific proposals, in accordance with authorisations governing approval of investments. A proposal for a major investment is submitted for the purpose of decision-making and monitoring, providing information on its grounds and ROI calculations.

SanomaWSOY is exposed to interest-rate, currency, liquidity, and credit risks. The Group Treasury unit is responsible for managing SanomaWSOY's treasury on a centralised basis. The centralisation of treasury operations is aimed at ensuring external financing on flexible and favourable terms, optimised cash management, cost-effectiveness, and efficient financial risk management. SanomaWSOY's Board of Directors has approved the unit's guidelines for the Group's Treasury Policy. The SanomaWSOY Group has a strong, steady, and predictable cash flow, which substantially reduces financial risks. The Group manages its long-term financial risk by maintaining a financial structure contributing to a good credit rating with the aim of ensuring sources of low-cost financing. A more detailed description of the Group's financial risk management can be found on Note 26.

Printing paper is SanomaWSOY's most important, individual, raw material, and paper purchases account for roughly 6% of annual Group expenses. The Group's divisions produce a wide variety of prints using diverse paper grades. Despite its mostly centralised paper purchases, SanomaWSOY manages risks associated with raw-material availability and prices by buying paper from several suppli-

ers, based on framework agreements valid for about twelve months. Good relations with paper suppliers ensure that the Group also receives paper in special circumstances, such as during the industrial action affecting paper manufacturers in summer 2005.

Insider regulations

Those included in SanomaWSOY's public insider register comprise, by law, the Chairman of the Board of Directors, Board members, President and CEO, his/her deputy, the company auditor, the auditor in charge, and the deputy auditor. Based on a decision made by SanomaWSOY's Board of Directors, Management Group members and the Board secretary are also included in the public insider register on other criteria. SanomaWSOY's Insider Regulations comply with the Insider Guidelines issued by the Helsinki Stock Exchange, according to which insiders should trade in company securities at the time when the marketplace has as complete as possible information on circumstances with an effect on the company's share value.

According to SanomaWSOY's Insider Regulations, an insider may not use inside information in order to obtain material benefit for him-/herself or another party by disposing of or purchasing SanomaWSOY securities* on his/her or the other party's behalf, or by counselling, directly or indirectly, the other party on trading in said security, nor disclose inside information to the other party unless this forms part of the normal performance of the insider's job, profession, or duties.

Insiders may not trade in a SanomaWSOY security for 14 days prior to the disclosure of the Company's Interim Report, or for 28 days prior to the disclosure of the Year-End Financial Statements.

SanomaWSOY recommends that insiders do not buy or sell the same SanomaWSOY securities within six months and that their orders to buy, sell, or otherwise transact SanomaWSOY securities, if possible, within 28 days following the disclosure of the company's statutory financial information (Year-End Statements and Interim Reports) subject to regular reporting requirements.

Finnish Central Securities Depository Ltd. maintains SanomaWSOY Corporation's insider register, and monthly updated information on insider holdings and changes in them are available on the Group's website at www.sanomawsoy.fi.

SanomaWSOY complies with the Securities Markets Act effective since July 1, 2005. The amended insider guidelines did not lead to any changes in the Group's statutory insiders.

* SanomaWSOY securities refer to shares in a SanomaWSOY Group company and securities entitling to said shares pursuant to the Securities Markets Act (convertible bonds, warrants, stock options, bonds with warrants, and subscription rights). As defined in the Securities Markets Act, securities entitling to said shares stand for standardised options and futures referred to in the Act on Trading in Standardised Options and Futures (1 §, Chapter 10 of SMA), derivative contracts comparable to them (1 a §, Chapter 10 of SMA), and other derivative contracts (1 b §, Chapter 10 of SMA) whose underlying instruments are the above-mentioned securities and a depository receipt carrying entitlement to securities.

Annual General Meeting

SanomaWSOY Corporation's Annual General Meeting of Shareholders (AGM) will be held on April 3, 2006 at 2.00 p.m. Finnish time at the Congress Wing of Helsinki Fair Centre (Messuaukio 1, 00520 Helsinki). Shareholders wishing to attend are requested to register by 4.15 p.m. Finnish time on March 27, 2006. Registration can be made by phone tel. +358 105 19 5021, fax +358 105 19 5058, or via email, yhtiokokous@sanomawsoy.fi. Alternatively, shareholders can register for the meeting on the Group's website at www.sanomawsoy.fi.

Dividend for 2005

The Board of Directors proposes to the AGM that a dividend of EUR 0.90 per share should be paid for 2005. All shareholders registered on the Company's list of shareholders on the record date of April 6, 2006 are entitled to a dividend. List of shareholders is maintained by the Finnish Central Securities Depository. In Finland, the dividend payment date will be April 19, 2006. Outside Finland, the actual dividend payment date will be determined by the practices of the intermediary banks transferring the dividend payments.

Attending the AGM

Shareholders, who own SanomaWSOY's shares on March 24, 2006, are welcome to the AGM.

Notice of the AGM is published in at least one newspaper with a large circulation. The matters to be dealt in the meeting are included in the notice. Notice of the meeting and the proposals of the Board are also published as a Stock Exchange Release as well as on the Group's website.

Shareholders wishing to attend the AGM are requested to register within the time specified in the notice. Shareholders can participate in the AGM or they can authorise an authorised representative or a statutory representative.

Shareholder's rights in the AGM

A shareholder will have voting right at the AGM if he/she has registered to the meeting by 4.15 p.m. Finnish time on March 27, 2006. Regarding the nominee registered shareholders and shares that are not included in book-entry system, the respective regulations are applied.

Each Series A share carries twenty (20) votes and each Series B share carries one (1) vote at the Shareholders' meeting. However, a shareholder can vote with a maximum of one fifth (1/5) of the total amount of votes represented at the meeting.

List of shares and shareholders

The Finnish Central Securities Depository maintains a list of Company shares and shareholders. Shareholders who wish to make changes to their personal and contact information are asked to contact the Depository directly.

SanomaWSOY's financial reporting during 2006

The Group's Interim Reports will be published on May 4 and August 3 at around 11.30 a.m. Finnish time, and November 1 at around 8.00 a.m. Finnish time.

The Annual Report and Interim Reports are available in Finnish and English. Publications can be consulted at www.sanomawsoy.fi. Printed version of Annual Report can be ordered via email (ir@sanomawsoy.fi), by phone (+358 105 19 5062) or by fax (+358 105 19 5068).

Shareholders can also order SanomaWSOY's Interim Reports and other releases at www.sanomawsoy.fi/contacts.

Stock Exchange Releases, Releases, and Stock Exchange Announcements*

19.1	SanomaWSOY Acquires the Leading Russian Magazine Publisher Independent Media	12.10	SanomaWSOY Applies for Listing of the 2001B Warrants on the Main List of the Helsinki Stock Exchange
2.2	Independent Media Acquisition Approved by Competition Authorities	31.10	WSOY to Sell Lönnberg Painot
10.2	Year-End Statement 2004	2.11	Interim Report Q3
10.2	SanomaWSOY - Outstanding Result	2.11	SanomaWSOY's Good Profit Performance Continued
10.2	SanomaWSOY to Invalidate Redeemed Notes	7.11	Rautakirja to Sell Kiosks in the Czech Republic to Hachette
25.2	SanomaWSOY's Capital Notes Debenture Invalidation Registered	10.11	Subscription for SanomaWSOY's Series B Shares with Stock Options and Convertible Capital Notes Conversion into Series B Shares
1.3	Flagging Announcement – Aatos Erkko Reduces his Shareholding in SanomaWSOY	8.12	SanomaWSOY to Invalidate the 2001A, 2001B, and 2001C Stock Options in Its Ownership
1.3	Aatos Erkko and Patricia Seppälä's Estate Reduce Their Holding in SanomaWSOY	8.12	SanomaWSOY to Give the Second Block of 2004 Stock Options
1.3	Independent Media Acquisition Completed	12.12	Jaakko Rauramo as Non-Executive Chairman of the Board of SanomaWSOY
4.3	Notice of Annual General Meeting	21.12	Publishing Houses Sanoma Magazines International, Gruner + Jahr, and Styria Intend to Join Forces in the Adriatic Region
12.4	SanomaWSOY's Annual General Meeting	23.12	Subscription for SanomaWSOY's Series B Shares with Stock Options and Convertible Capital Notes Conversion into Series B Shares
27.4	Comparative IFRS Data for 2004		
29.4	SanomaWSOY's Convertible Capital Notes Converted to Series B Shares		
29.4	SanomaWSOY to Enter Radio Business – Radio Helsinki to Helsingin Sanomat		
4.5	Interim Report Q1		
4.5	SanomaWSOY's Year Begins Well		
25.5	SanomaWSOY's Convertible Capital Notes Converted into Series B Shares		
26.5	Radio Helsinki Acquisition Completed		
31.5	Rautakirja to Become the Market Leader in Lithuanian Kiosk Trade		
7.6	Sanoma Magazines to Appoint New President for Its Dutch Business		
16.6	SanomaWSOY's Share Conversion		
27.6	Rautakirja to Enter the Russian Press Distribution Market		
28.6	Sanoma Lehtimedia to Sell Etelä-Karjalan Jakelu to Finland Post		
4.7	Huuto.net to Ilta-Sanomat – Keltainen Pörssi Becomes Finland's Leading Classified Ad Service		
22.7	SanomaWSOY's Convertible Capital Notes Converted into Series B Shares		
22.7	Flagging Announcement – SanomaWSOY's Share Capital Increase Reduced Robin Langenskiöld's and Rafaela Seppälä's Holdings		
4.8	Interim Report Q2		
4.8	SanomaWSOY's Success Continued		
12.8	SanomaWSOY's Convertible Capital Notes Converted into Series B Shares		
25.8	WSOY to Sell Digital Printer Dark to Hansaprint		
23.9	SanomaWSOY's Financial Reporting during 2006		
30.9	WSOY to Sell Its Diary Business		
5.10	SanomaWSOY's Convertible Capital Notes Converted into Series B Shares		

* Releases can be found on the Group's website at www.sanomawsoy.fi/news.

Companies analysing SanomaWSOY

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