

2005



Sanoma WSOY

A man with glasses and a mustache, wearing an orange long-sleeved shirt, is sitting at a desk in an office. He is looking at a Sony computer monitor which displays a photograph of a woman in a light-colored dress. His hands are on a black keyboard. The desk is cluttered with various office supplies like pens, a notepad, and a telephone. The background shows office cubicles.

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.

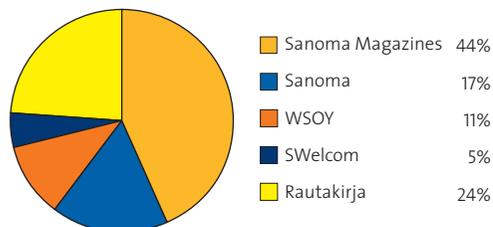
Dividend policy

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

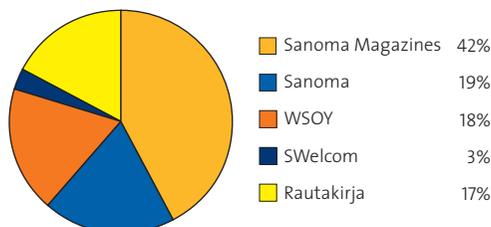
Key figures 2005

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.			

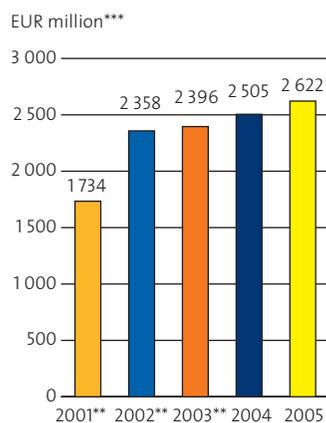
NET SALES BY DIVISION,
% OF THE GROUP



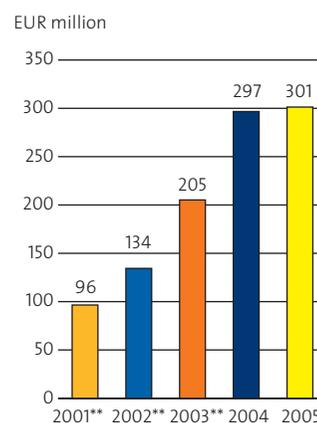
OPERATING PROFIT BY DIVISION,
% OF THE GROUP



NET SALES



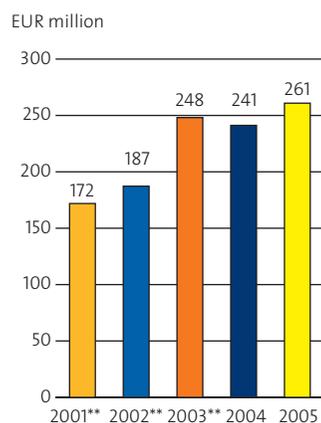
OPERATING PROFIT



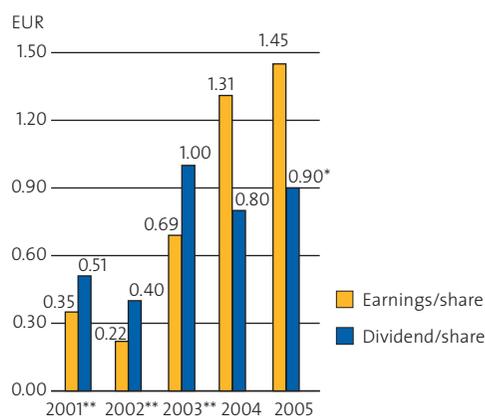
** 2001–2003 figures are according to the Finnish Accounting Standards (FAS).

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

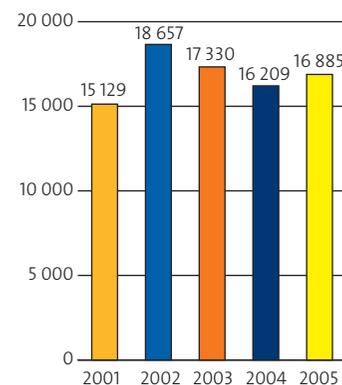
CASH FLOW FROM OPERATIONS



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.

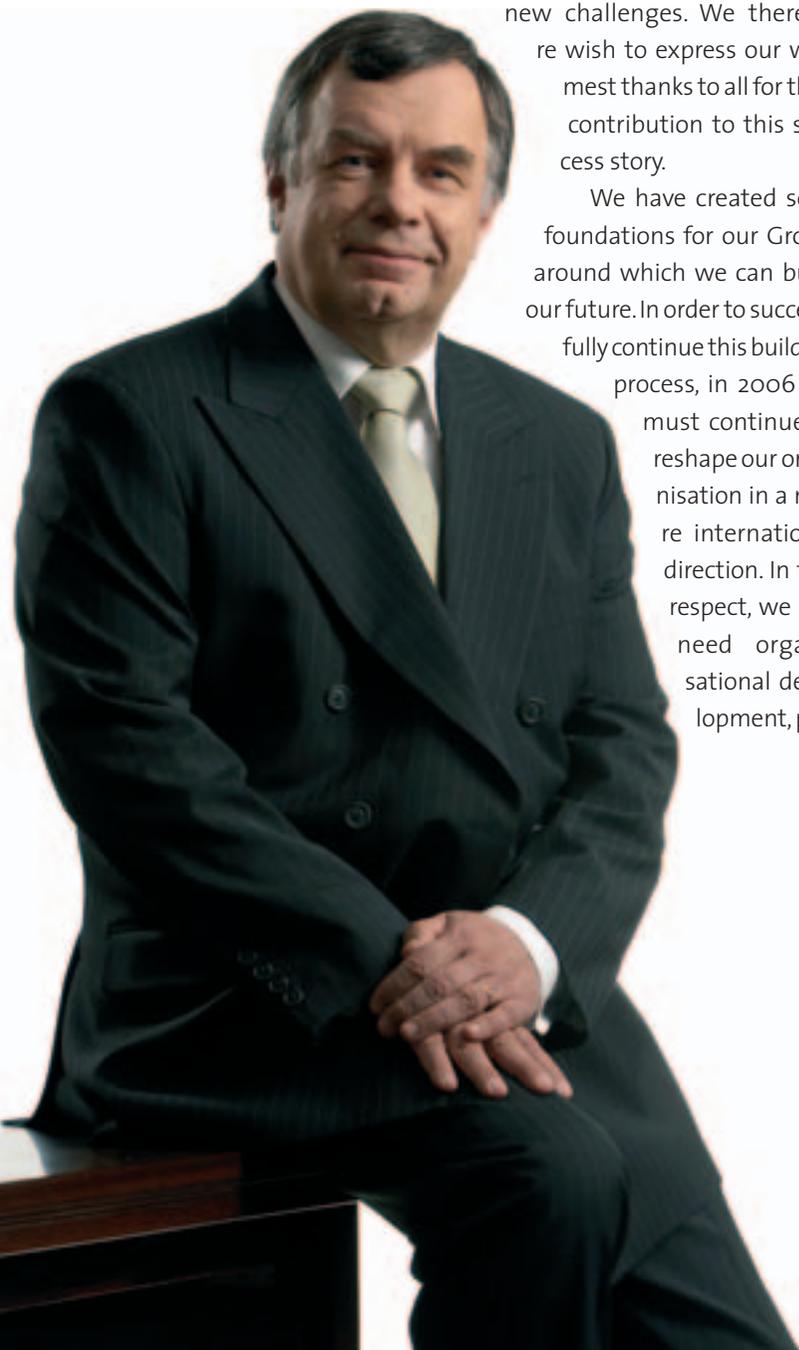
In 2005, we had almost 17,000 employees in our Group, showing growth, for example, as a result of 1,200 new Russian and Ukrainian colleagues joining our payroll. The Group currently has more than 5,000 employees with command of Russian.

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.

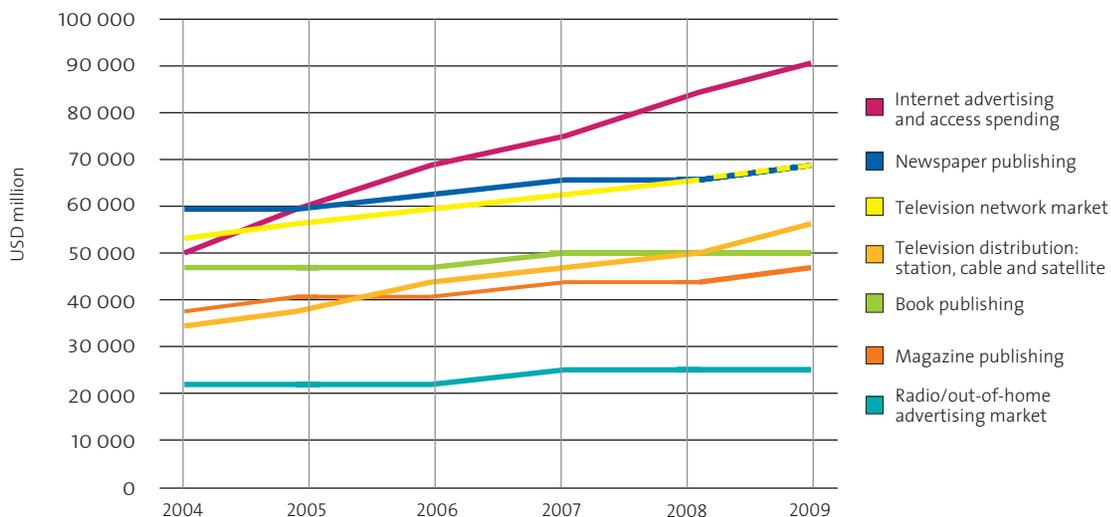
Favourable economic development and growth in media consumption are also reflected in the strong expansion in the media and entertainment market. According to PricewaterhouseCoopers, the internet and games markets will report the greatest growth both on a global basis and in Europe. The growth rate in 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.

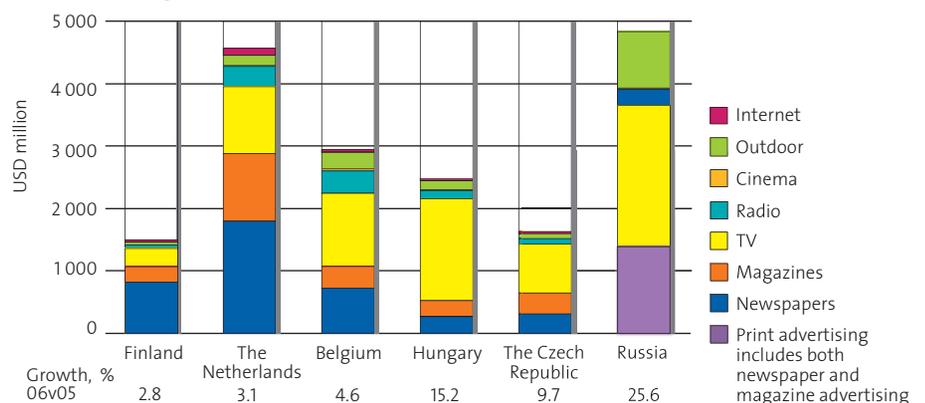
Development of GDP, private consumption, and CPI, %

	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

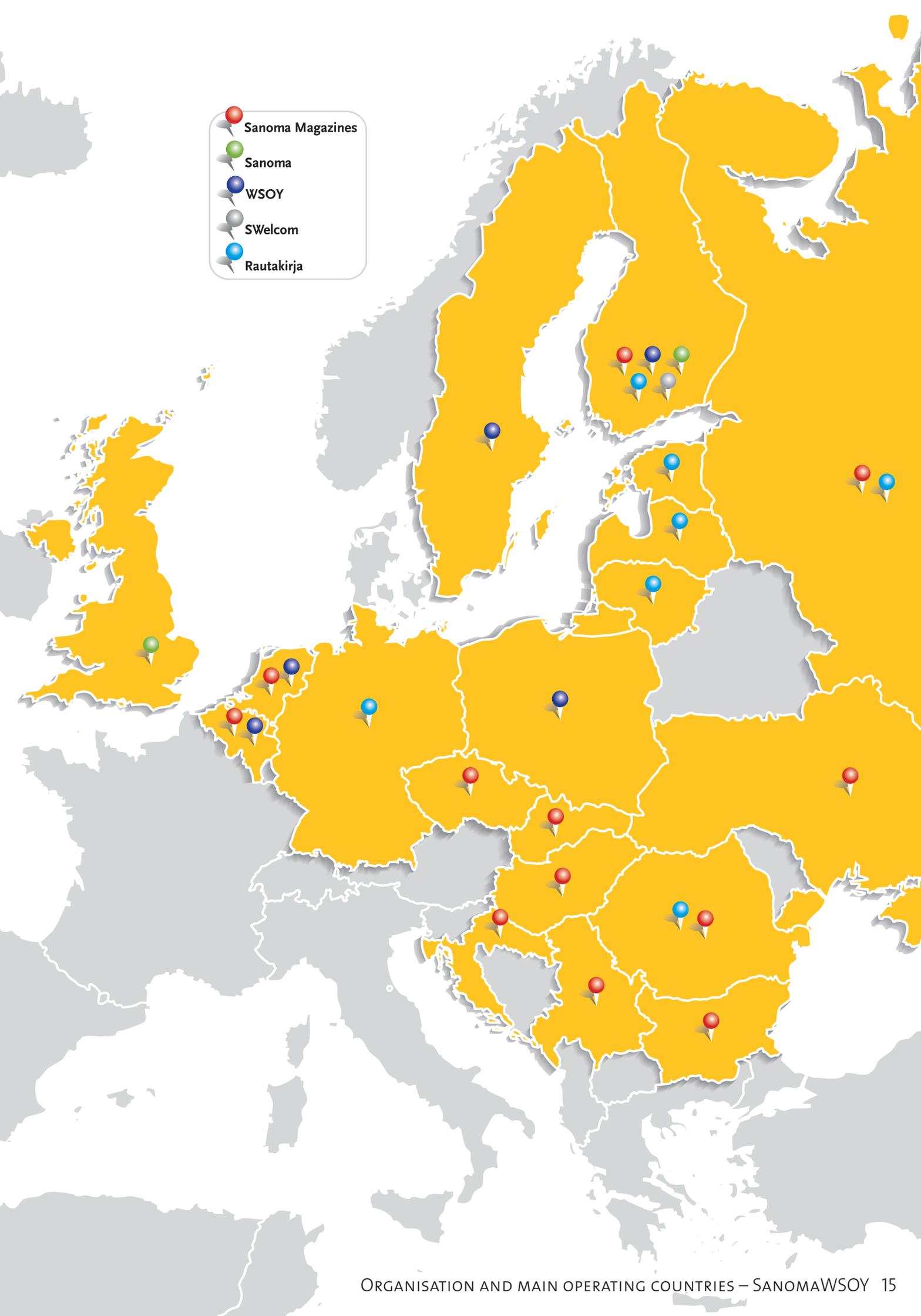
The United Kingdom (55)

- 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.

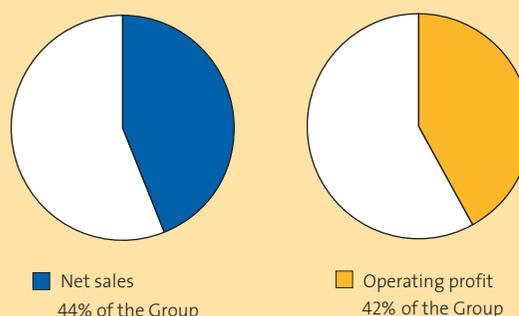
“We are doing a lot in this field. For example some of our home and decoration magazines, in addition to their print editions, produce interactive services related to moving house, organise home and interiors fairs, and offer a range of household furnishings and goods. These are all important potential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

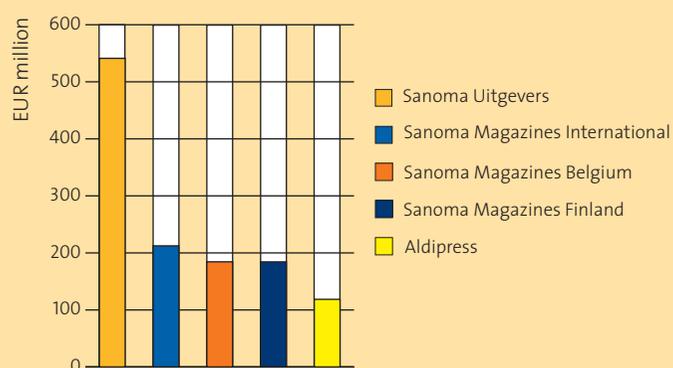
Sanoma Magazines International

- 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
 - Kouvola 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)

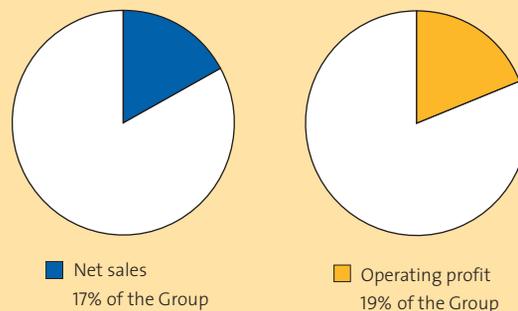
- Uutislehti 100
- Kaupunkilehti Vartti
- V
- Local free sheets, 5 titles

Sanomapaino

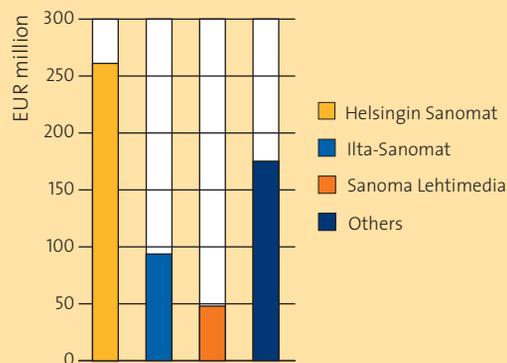
- 5 printing plants in Finland

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)

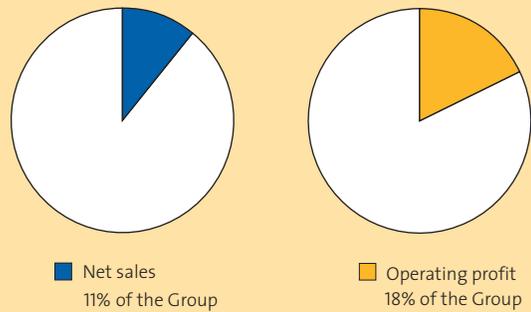
Publishing

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

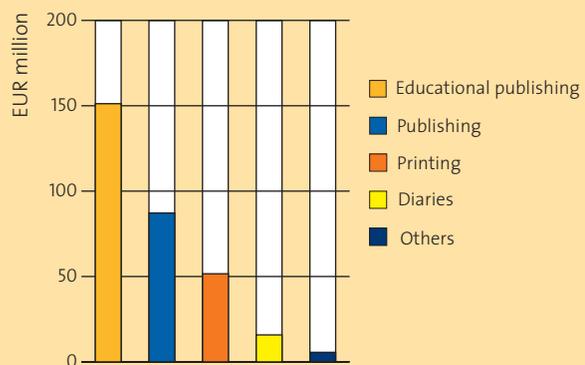
Printing

- 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)

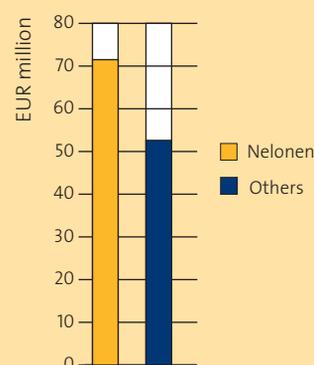
Digital content and communication services

- 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.

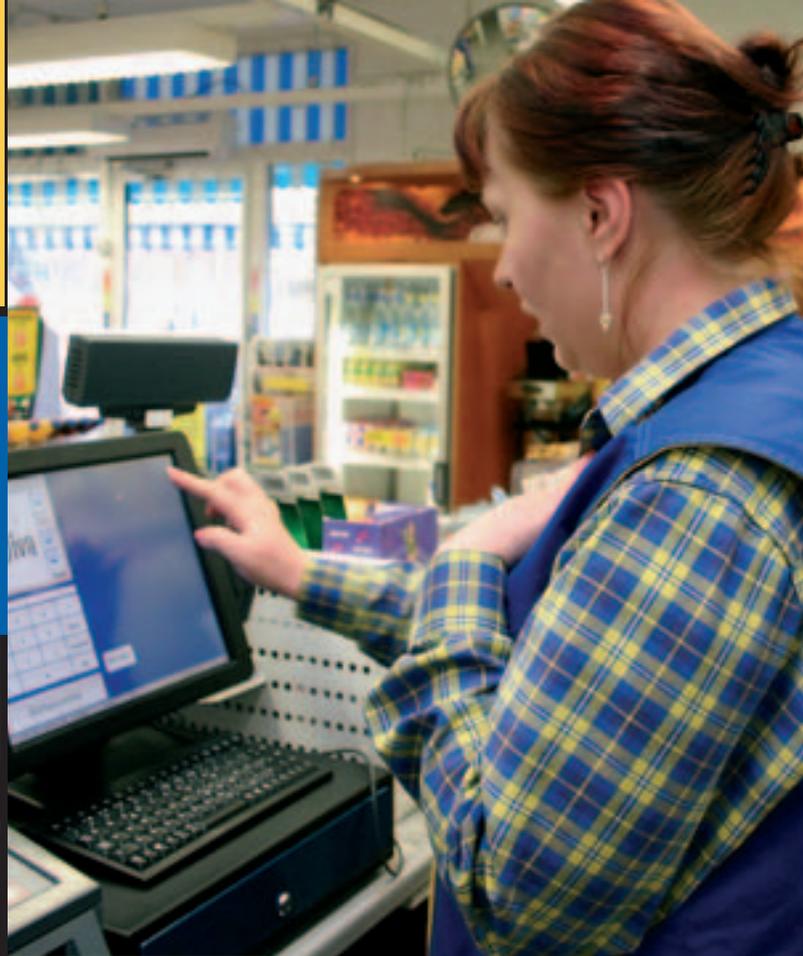
“Recently, we have placed particular emphasis on CRM development and leadership training. The resulting deliverables are directly reflected in the feedback our customers give to their Nelonen contact persons,” says Edin gratefully.

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.

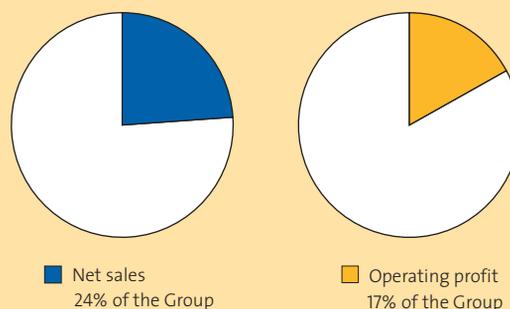
"One of the year's key events included the acquisition in June of TK Presseexpo, a press distribution company in the Moscow region. In this way, our press distribution established



"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

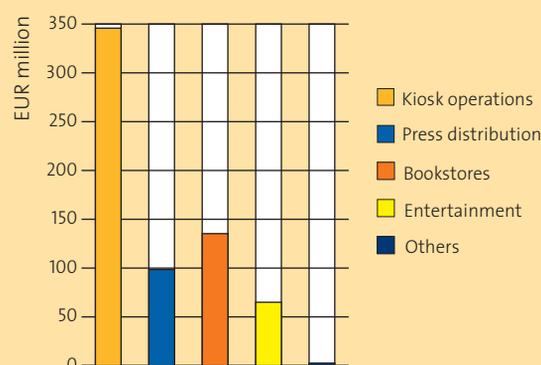
- Suomalainen Kirjakauppa
 - Yliopistokirjakauppa
 - Lukiolaisten kirjakauppa
 - Reader's
 - Apollo Raamatud (Estonia)

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. ■



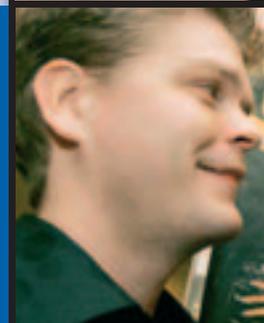
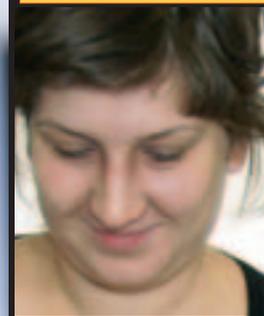
Responsible corporate citizenship enhances well-being



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

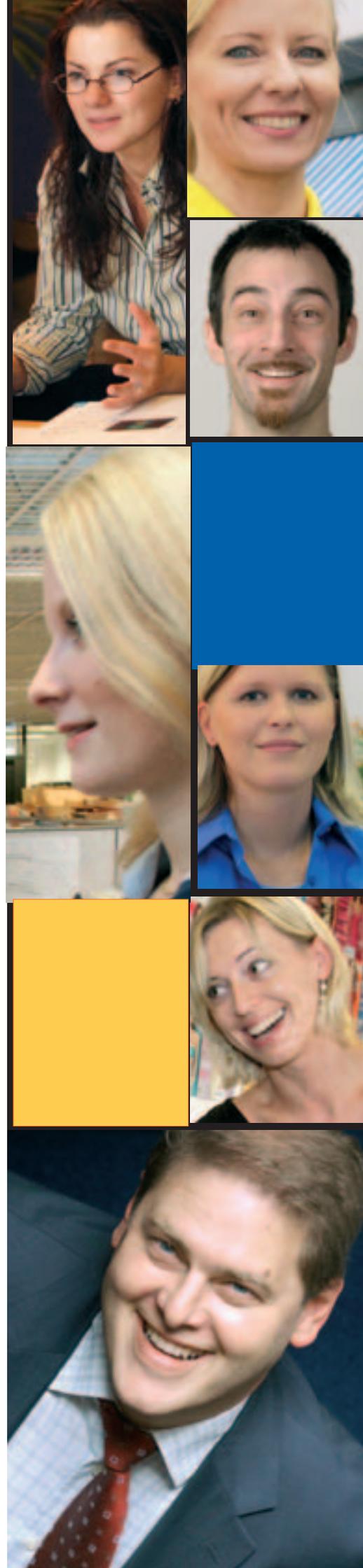
Free and high-quality communications as well as top-quality education form the prerequisites for a democratic society. A well-performing society is also characterised by a rich and versatile culture.

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.

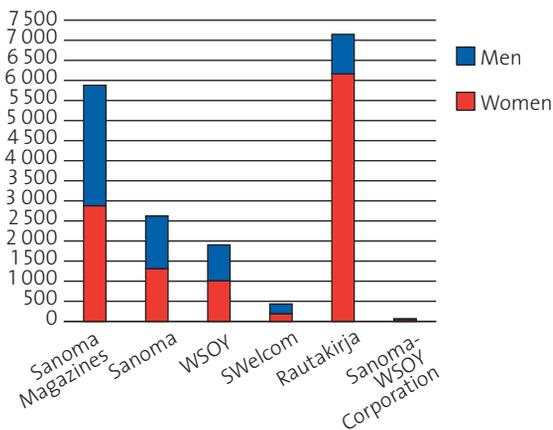
Group-wide development programmes have been continuously reshaped to support SanomaWSOY's strategy implementation. The Group's successful performance depends on the personnel's willingness to upgrade their competencies and listen to customers, as well

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

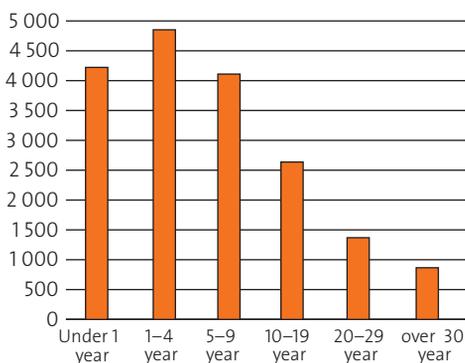
The SanomaWSOY Executive Programme (SWEP), aimed at developing top management's strategic thinking and management practices, will continue in spring 2006 with revised contents. A new management training programme for future executives and experts involved in international duties (JUMP) will begin in 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

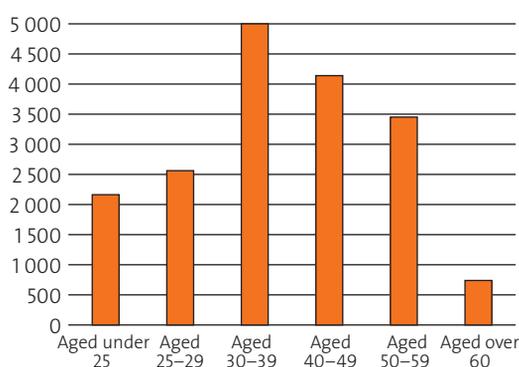
Finland	8 789
The Netherlands	2 593
Lithuania	1 314
Russia and	
The Ukraine	1 219
Estonia	985
Belgium	612
Latvia	585
Hungary	570
Romania	291
Poland	290
The Czech Republic	221
Sweden	134
Croatia	93
Bulgaria	91
Norway	62
Slovakia	56
Great Britain	55
Serbia and	
Montenegro	28
Germany	27
Malaysia	20
France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

PERSONNEL

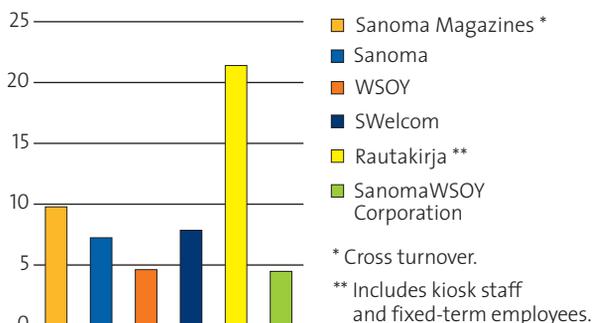
	2005	2004	2003	2002	2001
Personnel under employment contract, average	16 885	16 209	17 330	18 657	15 129
Personnel average (full-time equivalents)	14 256	13 651	14 207	15 210	12 077
Net sales per employee, EUR 1 000 *	183.9	183.5	171.3	155.0	143.6

* 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



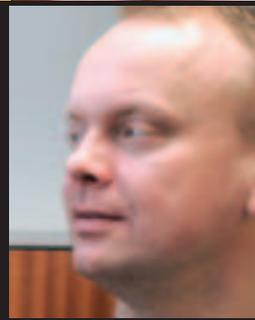
Learning for business

“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-Sanomati 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 Finnpap 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

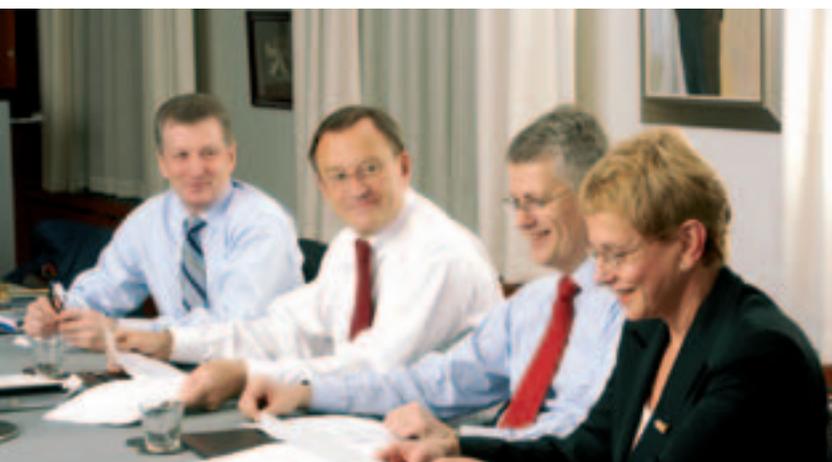
born 1939, D.Sc. (Econ.)

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

SanomaWSOY
Annual Report 2005

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information can be consulted on the Group's website at
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