SanomaWSOY

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SANOMAWSOY'S YEAR-END STATEMENT 2005

SanomaWSOY's result 2005 exceeded the previous year's record levels. Operating profit improved to EUR 301.3 (296.7) million. Operating profit excluding the major non-recurring capital gains was EUR 269.1 (270.9) million. Earnings per share increased to EUR 1.45 (1.31). In the last quarter, net sales were EUR 735.0 (740.9) million and operating profit was EUR 79.6 (105.3) million. The proposed dividend is EUR 0.90 (0.80) per share.

KEY INDICATORS, EUR million	**10–12 2005**	10–12 2004	Change %	**1–12 2005**	1–12 2004	Change %
Net sales	**735.0**	740.9	-0.8	**2,622.3**	2,504.6	4.7
Operating profit before depreciation and impairment losses	**119.0**	142.1	-16.2	**431.9**	421.7	2.4
% of net sales	**16.2**	19.2		**16.5**	16.8	
Operating profit	**79.6**	105.3	-24.4	**301.3**	296.7	1.5
% of net sales	**10.8**	14.2		**11.5**	11.8	
Operating profit excluding major non-recurring capital gains	**68.8**	87.6	-21.4	**269.1**	270.9	-0.7
% of net sales	**9.4**	11.8		**10.3**	10.8	
Result before taxes	**74.7**	88.7	-15.8	**286.0**	271.6	5.3
% of net sales	**10.2**	12.0		**10.9**	10.8	
Result for the period	**73.6**	74.3	-1.0	**228.4**	203.8	12.1
% of net sales	**10.0**	10.0		**8.7**	8.1	
Balance sheet total				**2,972.0**	2,693.6	10.3
Gross investments				**361.2**	281.6	28.2
% of net sales				**13.8**	11.2	
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	
Interest-bearing liabilities				**928.7**	894.8	3.8
Interest-free liabilities				**884.3**	812.8	8.8
Net debt				**843.8**	804.5	4.9
Personnel under employment contract, average				**16,885**	16,209	4.2
Personnel, average (full-time equivalents)				**14,256**	13,651	4.4
Earnings/share, EUR	**0.46**	0.47	-2.6	**1.45**	1.31	11.1
Earnings/share, diluted, EUR	**0.44**	0.45	-0.8	**1.42**	1.26	12.7
Cash flow from operations/share, EUR	**0.78**	0.74	5.8	**1.69**	1.58	7.4
Equity/share, EUR				**7.28**	6.34	14.9

Dividend/share, EUR *	**0.90**	0.80	12.5
Dividend/result, % *	**61.98**	61.23	
Market capitalisation	**3,121.5**	2,632.2	18.6

* Proposal of the Board of Directors

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

Outlook for 2006

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

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

Targets and key events

Sustained growth and profitability form SanomaWSOY's key strategic objectives.

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

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

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

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

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

Operating environment

In 2005, SanomaWSOY's main operating countries' economies differed in their growth rates: according to research institutions, GDP growth rate stood at 1.6% in Finland and at 0.8% in the Netherlands. Belgium showed a GDP growth rate of 1.5%. CEE countries recorded higher growth rates, as evidenced by that of 2.7% in Hungary, 4.9% in the Czech Republic, and 6.0% in Russia.

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

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

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

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

Net sales

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

Result

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

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

The Group's net financial expenses totalled EUR 25.1 (28.8) million. Financial income amounted to EUR 10.6 (20.5) million. In 2004, SanomaWSOY divested its share portfolio. The Group had no corresponding financial income during the financial year. Financial expenses amounted to EUR 35.7 (49.3) million, consisting mainly of interest expenses of liabilities totalling EUR 30.3 (34.4) million. The restructuring of the Group's loan portfolio in late 2004 and the conversion of some of SanomaWSOY Corporation's convertible capital notes into shares in 2005 markedly reduced financial expenses. Cash flow from operations totalled EUR 260.9 (241.2) million and cash flow from operations per share was EUR 1.69 (1.58).

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

Balance sheet and financial position

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

Investments

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

Administration

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

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

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

Personnel

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

Board authorisations

The AGM of April 12, 2005 authorised SanomaWSOY's Board to decide, within one year of the AGM, on an increase of share capital through one or more rights issues, issuance of one or more convertible bond loans, and/or option rights. The new shares issued shall be of Series B, and their aggregate number may not exceed 30,622,430 shares. The total increase of share capital may not exceed EUR 13,167,644.90. The authorisation excludes the personnel incentives.

The AGM also authorised the Board to decide, within one year of the AGM, to acquire the Company's own Series A and B shares. The acquisition will be made by using distributable funds. The aggregate book counter-value of the shares or the total votes conferred by such shares after the acquisition may not exceed 5% of the share capital or of the total votes of the Company. The shares will be acquired in the existing proportion of the different share classes.

The Board did not exercise its authorisations in 2005.

Shares and holdings

In 2005, SanomaWSOY received two flagging announcements regarding changes in shareholdings. On March 1, 2005, SanomaWSOY's main shareholders, Aatos Erkko and the estate of Patricia Seppälä, sold a total of 10 million Series B shares, which considerably improved the share's liquidity. As a result, the combined holdings of Aatos Erkko and the bodies he controls fell to below one quarter (1/4) and his direct ownership to below one-fifth (1/5) of SanomaWSOY's share capital. Robin Langenskiöld's and Rafaela Seppälä's holdings decreased to below one-twentieth (1/20) of the share capital, due to SanomaWSOY's share capital increase on July 22, 2005.

Trading in SanomaWSOY shares almost tripled in 2005, the number of Series A shares and Series B shares traded totalling 189,380 (309,491) and 81,050,272 (29,558,799), respectively. Traded Series A shares accounted for 0.82% (1.33%) of the year's average number of shares and traded Series B shares 61.83% (22.76%). The price of Series A shares averaged EUR 20.05, varying from the EUR 16.85 low to EUR 23.99 high, while that of Series B shares averaged EUR 19.72, varying from the EUR 17.07 low to EUR 21.60 high.

On December 31, 2005, SanomaWSOY's market capitalisation totalled EUR 3,121.5 (2,632.2) million, the Series A share and B share closing at EUR 21.17 (17.20) and EUR 19.67 (17.19), respectively. The Group had a total of 14,987 shareholders at the end of the year, foreign holdings accounting for 8.97% (4.23%) of shares and 3.13% (1.87%) of votes. The Group did not hold any of its own shares (treasury shares) on December 31, 2005.

In 2005, a total of 6,024 debentures of SanomaWSOY's convertible capital note were converted into 3,786,280 Series B shares. Following the conversions, the loan totalled EUR 90.3 million at year-end and its dilution effect to the number of shares was a maximum of 5,676,932 Series B shares, accounting for 3.49% of the total number of post-conversion shares and 0.94% of votes entitled by these shares.

Stock options

SanomaWSOY has two stock option schemes in place, covering all of its divisions. On December 31, 2005, a total of 2,733,450 outstanding stock options under the Warrant Scheme 2001 were held by 179 managers within the Group and the number of stock options outstanding under the Stock Option Scheme 2004 and held by 222 managers totalled 2,267,500.

The first two tranches of the Warrant Scheme 2001 have been listed on the Helsinki Stock Exchange. During 2005, a total of 29,150 Series B shares were subscribed using 7,300 2001A stock options and 21,850 2001B stock options. New shares subscribed on the basis of the stock options entitle their subscribers to all shareholder rights as of the date the share capital increase is entered in the Trade Register.

Shares to be subscribed on the basis of the issued stock options, including 2004C options, would account for 4.41% of SanomaWSOY shares after subscription and would represent 1.2% of all votes if no other changes in the share capital occur.

Dividend

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

Risks and risk management

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

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

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

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

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

Seasonal fluctuation

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

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

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

Sanoma Magazines

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

KEY INDICATORS, EUR million	1–12/2005	1–12/2004	Change, %
Net sales	**1,181.9**	1,097.8	7.7
Operating profit	**129.1**	139.7	-7.6
% of net sales	**10.9**	12.7	
Operating profit excluding major non-recurring capital gains	**129.1**	137.3	-6.0
% of net sales	**10.9**	12.5	
Balance sheet total	**1,752.5**	1,594.2	9.9
Gross investments	**206.9**	20.0	932.9
Return on investment, % (ROI)	**11.8**	13.3	
Personnel under employment contract, average	**5,275**	4,524	16.6
Personnel, average (full-time equivalents)	**4,716**	3,992	18.1

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

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

The Dutch-based Sanoma Uitgevers' net sales totalled EUR 541.2 (542.9) million. Advertising sales, representing 18% (18%) of net sales, increased by 1% despite the continuous difficult market situation in the Netherlands with pressure on advertising income. Sanoma Uitgevers' circulation sales decreased by

2%. Subscription sales developed well but single copy sales were affected by the weak development of consumer spending. Sanoma Uitgevers' was active in the magazine market to secure future market positions and further developed its major magazine launches of 2004. Sales of online operations developed strongly. Investments in these operations in the Netherlands continued.

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

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

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

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

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

Operating profit in Sanoma Magazines decreased to EUR 129.1 (139.7) million. There were no major non-recurring capital gains in 2005 (in 2004: EUR 2.4 million). The result decreased clearly in Sanoma Uitgevers due to declining single copy sales, partly offset by the favourable development of online operations. Sanoma Magazines International improved its results, mainly due to the new business in Russia and the Ukraine. The operating profit of Independent Media in March–December 2005 totalled EUR 7.0 million. Sanoma Magazines Belgium's operating profit increased slightly due to effective cost control. The operating result in Sanoma Magazines Finland was the best ever due to increased subscription sales, but the total result, due to the capital gains on the divestment of Milvus Förlags in 2004, was slightly below that of the previous year. Operating profit in Aldipress remained at the previous year's level due to the costs relating to the relocation of return logistics.

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

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

Sanoma

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

KEY INDICATORS, EUR million	1–12/2005	1–12/2004	Change, %
Net sales	**446.4**	435.2	2.6
Operating profit	**59.1**	70.8	-16.5
% of net sales	**13.2**	16.3	
Operating profit excluding major non-recurring capital gains	**58.1**	59.5	-2.3
% of net sales	**13.0**	13.7	
Balance sheet total	**471.6**	474.5	-0.6
Gross investments	**22.9**	24.9	-7.9
Return on investment, % (ROI)	**17.8**	23.0	
Personnel under employment contract, average	**2,782**	2,746	1.3
Personnel, average (full-time equivalents)	**2,388**	2,389	-0.1

OPERATIONAL INDICATORS	1–12/2005	1–12/2004
Helsingin Sanomat		
Weekday circulation, copies	**421,688**	424,598
Sunday circulation, copies	**482,709**	492,385
Advertising volume (column kilometres)	**41.5**	41.3
Ilta-Sanomat		
Circulation, copies	**195,894**	201,281
Advertising volume (column kilometres)	**7.1**	6.8
Taloussanomat		
Circulation, copies	**38,321**	39,229
Advertising volume (column kilometres)	**2.3**	2.7
Other daily papers		
Total circulation, copies *	**88,450**	88,952
Advertising volume (column kilometres)	**22.2**	23.3
Local newspapers		
Total circulation, copies	**32,518**	32,781
Advertising volume (column kilometres)	**9.2**	9.1
Free sheets		
Distribution total, million copies	**52.7**	10.0
Advertising volume (column kilometres)	**16.6**	3.4

* Audited circulation figures

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

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

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

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

The Ilta-Sanomat business unit posted net sales of EUR 93.7 (95.2) million. Its advertising sales improved by 7% but circulation sales remained below 2004 levels due to weaker newsstand sales. The Finnish quality tabloid market declined by 2%. Ilta-Sanomat held a 60.3% (60.8%) market share of all quality tabloids. During the year, Ilta-Sanomat further developed its online business in particular, as evidenced by the acquisition in July of an online auction service, Huuto.net, making the Ilta-Sanomat business unit Finland's largest provider of online services for classified ads.

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

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

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

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

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

WSOY

Educational publishing, publishing, and printing. WSOY is Finland's leading book publisher and a significant European educational publisher.

KEY INDICATORS, EUR million *	**1–12/2005**	1–12/2004	Change, %
Net sales	**294.4**	253.9	15.9
Operating profit	**55.8**	29.1	91.6
% of net sales	**19.0**	11.5	
Operating profit excluding major non-recurring capital gains	**39.3**	29.1	35.0
% of net sales	**13.4**	11.5	
Balance sheet total	**485.0**	486.1	-0.2
Gross investments	**8.1**	204.7	-96.0
Return on investment, % (ROI)	**15.1**	15.2	
Personnel under employment contract, average	**2,311**	2,188	5.6
Personnel, average (full-time equivalents)	**2,123**	2,025	4.9

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

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

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

Educational publishing increased its net sales to EUR 151.2 (89.0) million, most of this growth coming from businesses acquired in summer 2004. Favourable sales development in all markets was also a source of this net sales growth. The remodelled curricula contributed to higher sales of materials for all grades in Finland. New products launched in the Netherlands and Belgium also improved net sales. The electronic educational materials offered by the Polish-based Young Digital Poland (YDP) sold well. In Finland, the use of the internet-based Opit service tripled and the number of its user licences rose to 130,000. WSOY reorganised its educational publishing units in Finland, the Netherlands, Belgium, and Poland, under a new educational publishing business in early 2005. The Division set up development projects to continue these units' internal integration, with a view to seeking cost efficiency in printing, ICT, and content production, for instance.

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

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

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

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

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

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

SWelcom

Electronic media. 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.

KEY INDICATORS, EUR million	1–12/2005	1–12/2004	Change, %
Net sales	**122.5**	117.5	4.2
Operating profit	**9.6**	9.6	-0.2
% of net sales	**7.8**	8.2	
Operating profit excluding major non-recurring capital gains	**9.6**	9.6	-0.2
% of net sales	**7.8**	8.2	
Balance sheet total	**143.5**	135.0	6.3
Gross investments	**11.1**	10.7	3.8
Return on investment, % (ROI)	**9.7**	10.1	
Personnel under employment contract, average	**425**	415	2.3
Personnel, average (full-time equivalents)	**385**	378	1.7

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

SWelcom's net sales continued their upward trend, coming to EUR 122.5 (117.5) million in 2005, boosted by the TV channel Nelonen's favourable sales of advertising time. Net sales adjusted for changes in Group structure improved by 5.0%. Net sales for 2004 included Måndag Oy, sold in April 2004. Advertising sales represented 58% (58%) of SWelcom's net sales.

Continuing to show good growth, Nelonen's net sales amounted to EUR 71.5 (67.6) million and the channel's share of all TV advertising rose to 31% (30%). Nelonen reached its all-time high market share of almost 35% in June 2005. Despite heavy programme investments, the channel's viewing share was lower than a year ago, as TV viewing more clearly spread across more channels in 2005. The channel continued its programme investments in 2005: in cooperation with Canal+, Nelonen acquired the broadcasting rights for the Finnish National Ice Hockey League for 2005–2008. During the autumn, Nelonen expanded its TV advertising sales service (sales house strategy) within its service portfolio by selling Canal+ Sport's advertising and sponsoring in Finland.

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

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

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

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

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

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

Rautakirja

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

KEY INDICATORS, EUR million	1–12/2005	1–12/2004	Change, %
Net sales	635.9	659.7	-3.6
Operating profit	51.2	47.2	8.5
% of net sales	8.0	7.1	
Operating profit excluding major non-recurring capital gains	42.3	46.2	-8.4
% of net sales	6.6	7.0	
Balance sheet total	397.0	369.2	7.5
Gross investments	111.5	18.0	521.3
Return on investment, % (ROI)	20.9	19.1	
Personnel under employment contract, average	6,023	6,261	-3.8
Personnel, average (full-time equivalents)	4,577	4,795	-4.5

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
Number of copies sold (press distribution), thousands	244,377	172,483

* Units in Finland

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

Kiosk operations' net sales fell to EUR 345.8 (352.3) million. Net sales increased in Estonia and Latvia but decreased in Finland characterised by persistently fierce competition in retail. During the year, the R-kiosk chain invested heavily in adopting a new cash-register system, enabling the sale of new types of products and services through its kiosks. For example, the autumn saw the launch of buying tickets booked via Lippupalvelu, a ticket agency, from R-kiosks. When the system becomes fully operational at over 700 R-kiosks in spring 2006, the kiosks will provide several new services. In December, Rautakirja divested its 50% holding in a Czech kiosk operator to its French partner Hachette Distribution Services. In the same month, Rautakirja's acquisition in May of Lietuvos Spauda, the market leading kiosk chain in Lithuania, received Lithuanian anti-trust approval. The acquired company has been consolidated into Rautakirja since January 1, 2006.

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

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

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

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

Rautakirja's investments for 2005 totalled EUR 111.5 (18.0) million, the largest investments consisting of the transfer of JHC Arena Holding and its multi-purpose arena in Hamburg to Rautakirja's ownership and acquisitions in Lithuania, Romania, and Russia. Rautakirja also made heavy investments in business ICT projects, as well as the acquisition of new retail premises and the renovation of existing ones. Investment in the multi-purpose arena in Hamburg increased Rautakirja's balance sheet by EUR 76.5 million.

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

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

Helsinki

Board of Directors
SanomaWSOY Corporation

CONSOLIDATED INCOME STATEMENT

EUR million	1–12/2005	1–12/2004	Change, %
NET SALES	**2,622.3**	2,504.6	4.7
Other operating income	**80.7**	81.7	-1.2
Materials and services	**1,177.8**	1,140.3	3.3
Personnel expenses	**574.7**	555.8	3.4
Other operating expenses	**518.6**	468.6	10.7
Depreciation and impairment losses	**130.6**	125.0	4.5
OPERATING PROFIT	**301.3**	296.7	1.5
Share of result of associated companies	**9.8**	3.8	159.6
Financial income	**10.6**	20.5	-48.1
Financial expenses	**35.7**	49.3	-27.6
RESULT BEFORE TAXES	**286.0**	271.6	5.3
Income taxes	**-57.6**	-67.8	-15.0
RESULT FOR THE PERIOD	**228.4**	203.8	12.1
Attributable to:			
Equity holders of the Parent company	**224.0**	200.0	
Minority interest	**4.4**	3.8	
Earnings per share for result attributable to the equity holders of the Parent company:			
Earnings per share, EUR	**1.45**	1.31	
Diluted earnings per share, EUR	**1.42**	1.26	

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

CONSOLIDATED BALANCE SHEET

EUR million	31.12.2005	31.12.2004	Change, %
ASSETS			
NON-CURRENT ASSETS			
Tangible assets	**566.5**	496.7	14.1
Investment property	**12.1**	32.1	-62.3
Goodwill	**1,329.3**	1,252.8	6.1
Other intangible assets	**313.0**	190.2	64.6
Interest in associated companies	**61.0**	49.5	23.2
Available-for-sale financial assets	**22.8**	21.2	7.5
Deferred tax receivables	**53.2**	61.4	-13.2
Other receivables	**37.7**	49.7	-24.2
NON-CURRENT ASSETS, TOTAL	**2,395.6**	2,153.6	11.2

CURRENT ASSETS			
Inventories	**144.0**	144.2	-0.1
Income tax receivables	**16.8**	8.6	96.3
Other receivables	**330.2**	296.6	11.3
Available-for-sale financial assets	**0.5**	0.5	2.4
Cash and cash equivalents	**84.9**	90.3	-5.9
CURRENT ASSETS, TOTAL	**576.4**	540.1	6.7
ASSETS, TOTAL	**2,972.0**	2,693.6	10.3
EQUITY AND LIABILITIES			
EQUITY			
Equity attributable to the equity holders of the Parent company			
Share capital	**67.5**	65.8	2.5
Premium fund	**93.7**	34.9	168.8
Other reserves	**363.8**	369.4	-1.5
Translation differences	**15.9**	5.8	175.1
Retained earnings	**601.9**	494.8	21.6
	1,142.8	970.7	17.7
Minority interest	**16.3**	15.3	6.5
EQUITY, TOTAL	**1,159.1**	986.0	17.6
NON-CURRENT LIABILITIES			
Deferred taxes	**90.4**	81.4	11.0
Pension obligations	**64.8**	59.6	8.7
Provisions	**12.3**	15.4	-20.3
Interest-bearing liabilities	**132.0**	382.5	-65.5
Other liabilities	**24.2**	23.4	3.2
CURRENT LIABILITIES			
Provisions	**9.9**	12.9	-23.4
Interest-bearing liabilities	**796.8**	512.3	55.5
Income tax liabilities	**37.5**	23.5	59.6
Other liabilities	**645.2**	596.5	8.2
LIABILITIES, TOTAL	**1,813.0**	1,707.6	6.2
EQUITY AND LIABILITIES, TOTAL	**2,972.0**	2,693.6	10.3

CHANGES IN EQUITY

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

Total recognised income and expenses					**10.1**	**223.3**	**233.4**	**4.7**	**238.1**
Conversion of capital notes	1.6	58.6		-2.0			58.3		58.3
Usage of share options	0.0	0.3					0.3		0.3
Expense recognition of granted options						4.6	4.6		4.6
Dividends paid						-122.5	-122.5	-0.2	-122.7
Change in minority interests								-3.4	-3.4
Other changes				-13.7		13.7			
Equity at Dec. 31, 2005	**67.5**	**93.7**		**363.8**	**15.9**	**601.9**	**1,142.8**	**16.3**	**1,159.1**

CONSOLIDATED CASH FLOW STATEMENT

EUR million	**1–12/2005**	1–12/2004	Change, %
OPERATIONS			
Result for the period	**228.4**	203.8	12.1
Adjustments			
Income taxes	**57.6**	67.8	-15.0
Financial expenses	**35.7**	49.3	-27.6
Financial income	**-10.6**	-20.5	-48.1
Share of result of associated companies	**-9.8**	-3.8	159.6
Depreciation and impairment losses	**130.6**	125.0	4.5
Profit on sales of non-current assets	**-37.6**	-34.3	9.4
Other adjustments	**-44.7**	-34.5	29.5
Change in working capital			
Change in trade and other receivables	**-13.2**	0.2	
Change in inventories	**-7.4**	0.8	
Change in trade and other payables, and provisions	**22.5**	11.9	89.3
Interest paid	**-30.3**	-52.8	-42.6
Other financial items	**-1.0**	-2.9	-64.5
Taxes paid	**-59.3**	-68.8	-13.8
CASH FLOW FROM OPERATIONS	**260.9**	241.2	8.2
INVESTMENTS			
Acquisition of tangible and intangible assets	**-89.9**	-64.1	40.2
Operations acquired	**-154.8**	-74.9	106.8
Associated companies acquired	**-1.3**	-0.3	307.7
Acquisition of other holdings	**-1.1**	-3.5	-67.8
Sales of tangible and intangible assets	**29.3**	36.3	-19.3
Operations sold	**37.6**	13.8	172.7
Associated companies sold	**0.0**	1.1	-98.8
Sales of other companies	**0.7**	27.8	-97.5
Loans granted	**-11.0**	-16.2	-32.1

Repayments of loan receivables	**19.3**	3.2	494.0
Sales of short-term investments	**0.0**	32.0	-99.9
Interest received	**3.6**	5.5	-33.7
Dividend received	**3.0**	16.2	-81.3
CASH FLOW FROM INVESTMENTS	**-164.7**	-23.1	613.8
CASH FLOW BEFORE FINANCING	**96.2**	218.1	-55.9
FINANCING			
Share issue against consideration	**0.3**		
Minority capital investment/repayment of equity	**-8.5**	0.0	
Change in loans with short maturity	**135.4**	-15.9	
Drawings of other loans	**367.3**	444.2	-17.3
Repayments of other loans	**-463.7**	-510.7	-9.2
Payment of finance lease liabilities	**-1.5**	-1.3	13.8
Dividends paid	**-122.7**	-154.5	-20.5
Donations/other profit sharing	**-0.4**	-0.3	2.7
CASH FLOW FROM FINANCING	**-93.8**	-238.6	-60.7
Change in cash and cash equivalents according to the cash flow statement	**2.4**	-20.4	
Rate differences under cash and cash equivalents	**-1.1**	0.5	
Net increase(+)/decrease(-) in cash and cash equivalents	**1.3**	-20.0	
Cash and cash equivalents at Jan. 1	**83.6**	103.5	-19.3
Cash and cash equivalents at Dec. 31	**84.9**	83.6	1.6

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

CONTINGENT LIABILITIES, EUR million	**31.12.2005**	31.12.2004	Change, %
Contingencies for own commitments			
Mortgages	**7.3**	7.7	-4.9
Pledges	**10.8**	15.2	-28.6
Others	**1.6**	0.3	472.6
Total	**19.8**	23.2	-14.7
Contingencies given on behalf of associated companies			
Guarantees	**7.9**	15.4	-48.6
Total	**7.9**	15.4	-48.6
Contingencies given on behalf of other companies			
Guarantees	**0.2**	18.1	-99.1
Total	**0.2**	18.1	-99.1

Other contingent liabilities			
Operating lease liabilities	**225.6**	256.1	-11.9
Royalties	**19.2**	21.9	-12.3
Commitments for acquisition of intangible assets (incl. film rights)	**23.5**	24.4	-4.1
Commitments for acquisition of tangible assets	**7.8**		
Other	**49.6**	48.3	2.7
Total	**325.6**	350.8	-7.2
Contingent liabilities total	**353.4**	407.4	-13.3

DERIVATIVE INSTRUMENTS

NOMINAL VALUES, EUR million	31.12.2005	31.12.2004	Change, %
Interest rate derivatives			
Options			
Purchased	**100.0**	100.0	
Written	**54.8**	54.8	
Interest rate swaps		20.0	-100.0
Total	**154.8**	174.8	-11.4
Currency derivatives			
Forward contracts		13.5	-100.0
Options			
Purchased		33.0	-100.0
Written		33.0	-100.0
Total		79.6	-100.0
Total	**154.8**	254.3	-39.2

FAIR VALUES, EUR million	31.12.2005	31.12.2004	Change, %
Interest rate derivatives			
Options			
Purchased	**0.0**	0.1	-96.9
Written	**-0.2**	-0.6	-65.1
Interest rate swaps		-0.1	-100.0
Total	**-0.2**	-0.6	-65.3

Currency derivatives			
Forward contracts		0.1	-100.0
Options			
Purchased		0.0	-100.0
Written		-1.0	-100.0
Total		-0.9	-100.0
Total	**-0.2**	-1.5	-85.8

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

CONSOLIDATED INCOME STATEMENT BY QUARTER

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

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

NET SALES BY BUSINESS

EUR million	1–12/2005	1–12/2004
Sanoma Magazines		
Sanoma Uitgevers	**541.2**	542.9
Sanoma Magazines International	**212.4**	138.3
Sanoma Magazines Belgium	**184.4**	186.0
Sanoma Magazines Finland	**184.3**	174.8
Aldipress	**118.6**	115.7
Eliminations	**-59.0**	-59.8
Total	**1,181.9**	1,097.8
Sanoma		
Helsingin Sanomat	**261.1**	254.4
Ilta-Sanomat	**93.7**	95.2
Sanoma Lehtimedia	**48.0**	47.9
Others	**175.2**	147.7
Eliminations	**-131.6**	-110.0
Total	**446.4**	435.2
WSOY		
Educational publishing *	**151.2**	89.0
Publishing	**87.2**	89.7
Printing	**51.6**	59.0
Diaries	**15.8**	30.3
Others	**5.6**	5.1
Eliminations	**-17.1**	-19.1
Total	**294.4**	253.9
SWelcom		
Nelonen	**71.5**	67.6
Others	**52.6**	51.2
Eliminations	**-1.6**	-1.3
Total	**122.5**	117.5
Rautakirja		
Kiosk operations	**345.8**	352.3
Press distribution	**98.5**	79.5
Bookstores	**135.3**	129.7
Entertainment	**65.0**	56.8
Others	**2.6**	52.8
Eliminations	**-11.3**	-11.3
Total	**635.9**	659.7
Other companies and eliminations	**-58.8**	-59.6
Total	**2,622.3**	2,504.6

NET SALES BY BUSINESS

EUR million	1–3 2005	4–6 2005	7–9 2005	10–12 2005	1–3 2004	4–6 2004	7–9 2004	10–12 2004
Sanoma Magazines								
Sanoma Uitgevers	117.8	134.7	123.4	165.4	119.3	130.3	125.3	168.0
Sanoma Magazines International	39.7	53.1	50.8	68.8	31.6	36.0	31.9	38.8
Sanoma Magazines Belgium	47.3	46.0	43.1	48.0	47.5	49.6	44.5	44.4
Sanoma Magazines Finland	41.4	46.5	43.9	52.6	43.1	43.0	40.9	47.8
Aldipress	28.0	29.8	29.0	31.7	26.2	28.7	29.6	31.2
Eliminations	-14.7	-14.3	-15.2	-14.9	-14.1	-14.8	-16.4	-14.5
Total	259.5	295.8	275.0	351.6	253.7	272.6	255.8	315.8
Sanoma								
Helsingin Sanomat	64.6	66.2	61.6	68.6	63.1	63.0	60.3	68.0
Ilta-Sanomat	22.1	24.2	24.5	22.9	22.1	24.9	24.2	23.9
Sanoma Lehtimedia	11.7	12.7	11.3	12.3	11.2	12.2	11.3	13.1
Others	42.2	44.1	42.0	47.0	35.0	36.8	36.4	39.6
Eliminations	-32.0	-32.8	-31.6	-35.2	-27.3	-27.3	-26.8	-28.7
Total	108.6	114.4	107.8	115.6	104.1	109.6	105.5	116.0
WSOY								
Educational publishing *	12.8	61.3	47.8	29.3	4.0	18.8	12.8	53.4
Publishing	23.4	19.9	16.2	27.7	27.6	15.0	18.4	28.6
Printing	13.9	13.7	13.3	10.7	15.2	13.6	14.6	15.6
Diaries	0.8	2.4	12.7	0.0	1.3	2.2	11.8	15.0
Others	1.3	1.3	1.4	1.6	1.2	1.2	1.3	1.4
Eliminations	-3.9	-4.7	-4.3	-4.1	-6.6	-2.2	-5.5	-4.9
Total	48.3	93.9	87.0	65.2	42.8	48.6	53.4	109.1
SWelcom								
Nelonen	17.2	18.9	13.9	21.6	15.9	18.2	13.2	20.2
Others	13.0	12.6	12.9	14.2	13.6	12.3	12.4	13.0
Eliminations	-0.4	-0.3	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3
Total	29.8	31.1	26.3	35.3	29.2	30.1	25.4	32.8
Rautakirja								
Kiosk operations	81.9	86.7	85.6	91.7	81.7	88.5	89.5	92.5
Press distribution	22.7	24.4	25.6	25.8	19.0	20.6	19.9	20.0
Bookstores	27.9	22.6	35.8	49.1	27.6	20.8	34.0	47.3
Entertainment	16.2	13.7	14.1	21.1	14.5	11.6	13.9	16.8
Others	2.5	0.0	0.0	0.0	12.2	14.2	14.6	11.8
Eliminations	-2.6	-2.9	-2.5	-3.3	-2.7	-3.0	-2.6	-3.0
Total	148.6	144.5	158.5	184.4	152.4	152.6	169.2	185.5

Other companies and eliminations	-12.5	-12.2	-17.0	-17.1	-13.6	-12.0	-15.6	-18.4
Total	582.1	667.5	637.7	735.0	568.6	601.5	593.7	740.9

OPERATING PROFIT BY DIVISION

EUR million	**1–12/2005**	1–12/2004
Sanoma Magazines	**129.1**	139.7
Sanoma	**59.1**	70.8
WSOY *	**55.8**	29.1
SWelcom	**9.6**	9.6
Rautakirja	**51.2**	47.2
Other companies and eliminations	**-3.5**	0.3
Total	**301.3**	296.7

OPERATING PROFIT BY DIVISION

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

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

Press and analyst meeting

Press and analyst meeting in Finnish will be held by Mr Hannu Syrjänen, President and CEO of SanomaWSOY at 1.30 p.m. (Finnish time) in Sanoma House, Töölönlahdenkatu 2.

The conference call in English for analysts and investors will be arranged at 4.00 p.m. (Finnish time). To join the conference, please dial +44 (0) 20 7162 0025. The code for the call is SanomaWSOY. The event can also be followed on web at www.sanomawsoy.fi either live or later on as record.

The presentation material of the press and analyst meeting as well as the slides used in the conference call will be available on SanomaWSOY's website after the press and analyst meeting has started.

Additional information: SanomaWSOY Group Communications, tel. +358 105 19 5062 or ir@sanomawsoy.fi.

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