

SanomaWSOY



Q2/2004

Hannu Syrjänen

President & COO

10 August 2004

Key developments Q2/2004

Divestments:

- Måndag (Tuotantotalo Werne)
- Milvus Förlags (Sanoma Magazines Finland)
- Minority share in Savon Mediat (Sanoma)

After the review period:

- WSOY: Agreement on acquiring educational publisher Malmberg Investments (the Netherlands)
- Rautakirja: Preliminary agreement on majority share in distribution company Hiparion Distribution (Romania)
- SanomaWSOY Series B shares owned by Tiikerijakelu (4.48% of shares, 1.19% of votes) invalidated

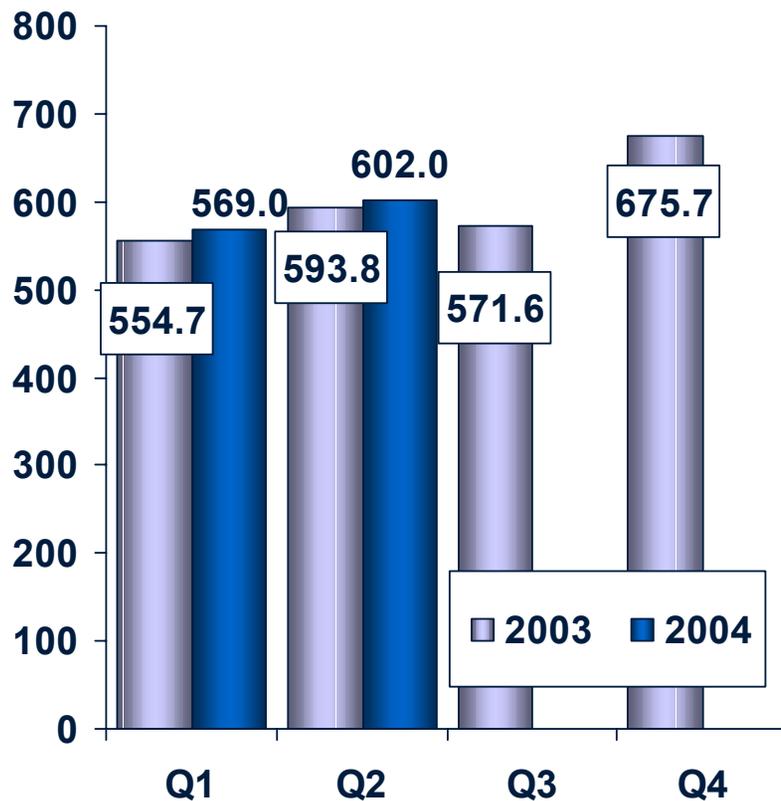


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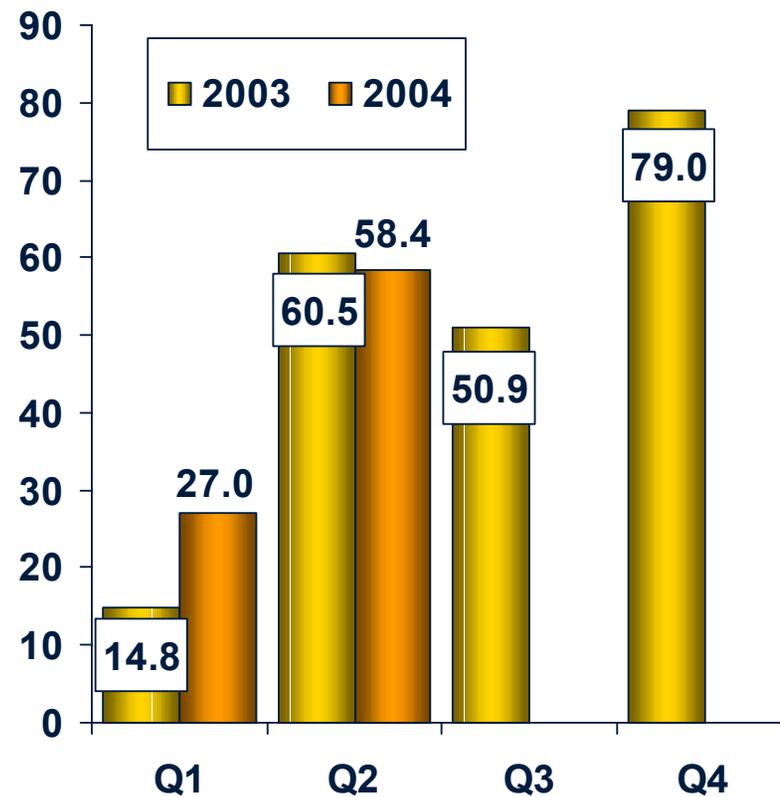
SanomaWSOY Group

By quarters 1/2

Net sales, € million



EBIT, € million

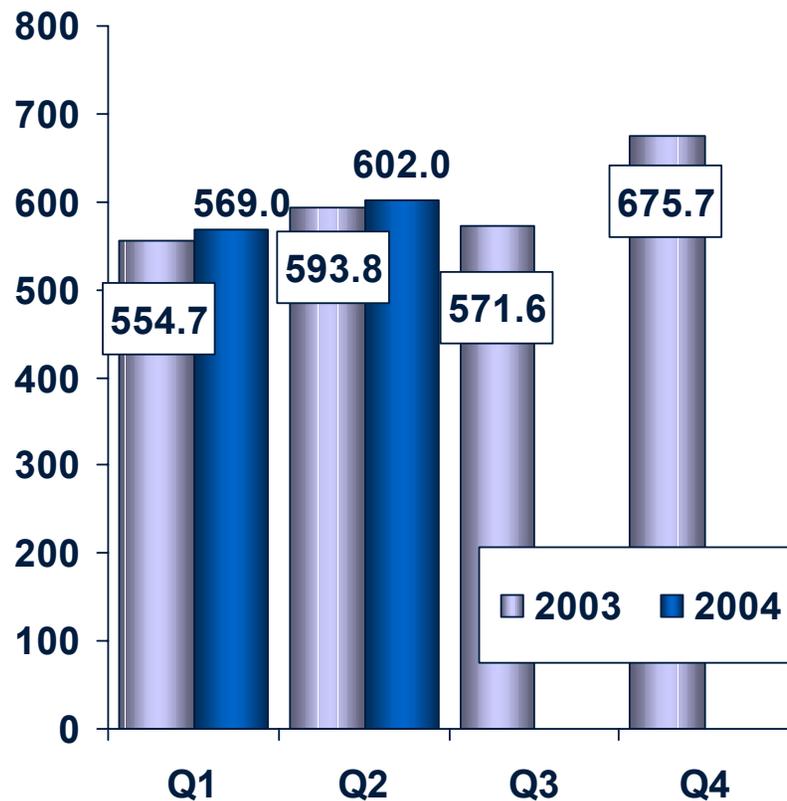


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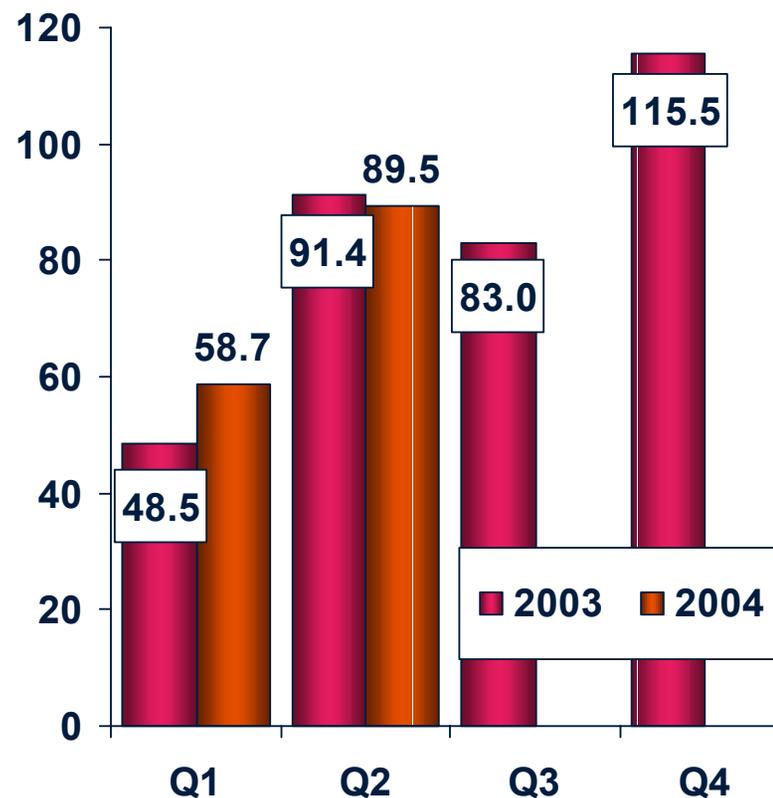
SanomaWSOY Group

By quarters 2/2

Net sales, € million



EBITA*, € million



* Operating profit before amortisation

Y: Kalvo_HS/HS04/interimreport2

Group income statement

€ million	1-6/2004	1-6/2003	Change,%
Net sales	1,171.1	1,148.5	2.0
Other operating income and change in inventories	30.4	32.1	-5.2
Share of result of associated companies	3.8	5.0	-23.0
Operating expenses	1,119.9	1,110.2	0.9
Operating profit	85.4	75.3	13.4
Financial income and expenses	-3.3	-16.1	-79.5
Result before extraordinary items	82.1	59.2	38.6
Extraordinary items	1.4		
Result after extraordinary items	83.5	59.2	41.1
Direct taxes	-36.9	-22.2	65.8
Minority interests	-0.9	-1.5	43.4
Result for the period	45.8	35.4	29.3

Y: Kalvo_HS/HS04/interimreport2

Group balance sheet

€ million	30.6.2004	30.6.2003	Change,%
Non-current assets, total	1,827.1	1,942.2	-5.9
Current assets, total	507.8	584.1	-13.1
Shareholders' equity, total	996.9	1,069.9	-6.8
Minority interest	18.1	15.4	17.7
Statutory provisions	38.7	14.7	164.0
Liabilities, total	1,281.3	1,426.4	-10.2
Balance sheet total	2,335.0	2,526.3	-7.6

Y: Kalvo_HS/HS04/interimreport2

Key indicators

€ million	30.6.2004	30.6.2003	Change, %
Net sales	1,171.1	1,148.5	2.0
Operating profit before amortisation	148.2	139.9	5.9
% of net sales	12.7	12.2	
Operating profit	85.4	75.3	13.4
% of net sales	7.3	6.6	
Balance sheet total	2,335.0	2,526.3	-7.6
Gross investments	44.8	45.7	-2.1
Equity ratio, %	38.3	36.4	
Equity ratio, % *	46.0	45.0	
EPS, €	0.29	0.24	21.3
EPS excl. goodwill amortisation, €	0.53	0.50	6.2
EBITA/share, €	0.97	0.94	2.6
Cash flow/share, €	0.68	0.50	37.3
Market capitalisation	2,352.4	1,575.7	49.3
Personnel under employment contract **	15,977	17,945	-11.0
Personnel on average ***	13,451	14,451	-6.9

* Incl. capital notes
 ** average
 *** full-time
 equivalents

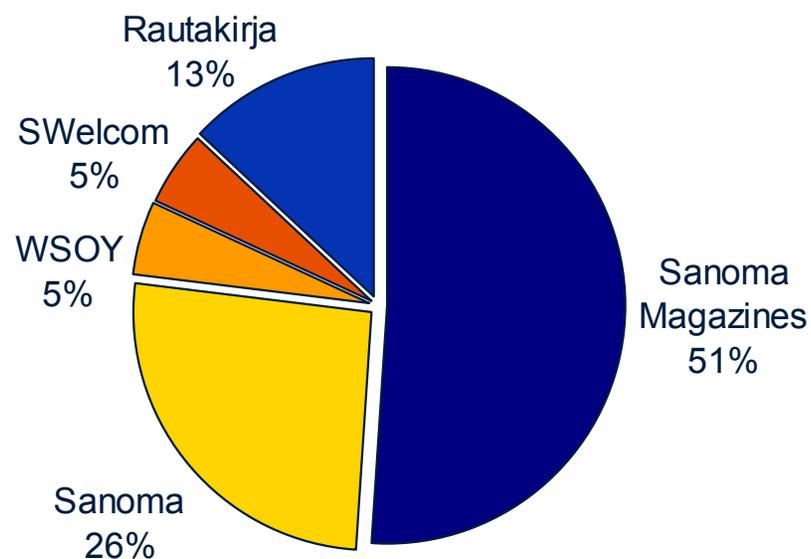
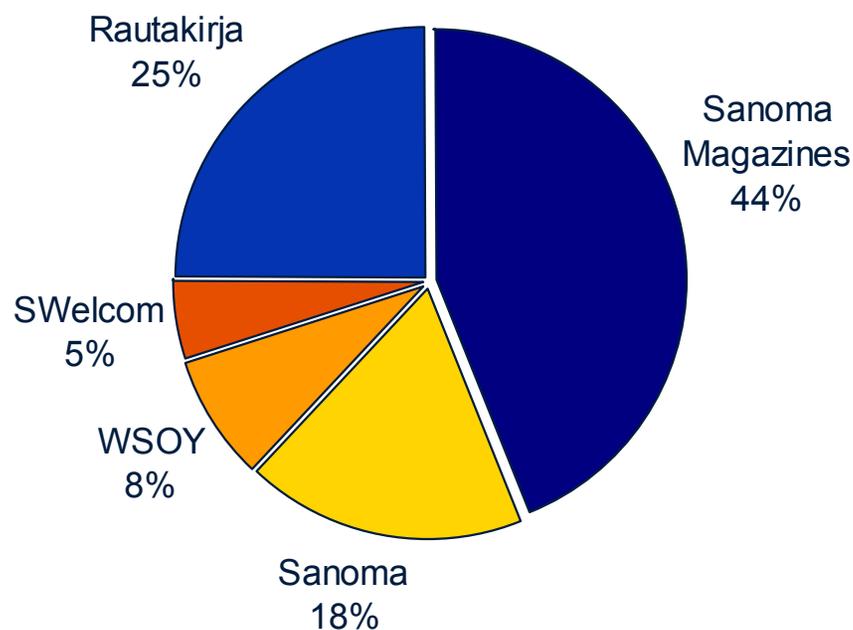
Y: Kalvo_HS/HS04/interimreport2

Net sales & Operating profit

by division 1-6/2004

Net sales: € 1,171.1 million

Operating profit: € 85.4 million



Intracompany eliminations excluded

Y: Kalvo_HS/HS04/interimreport2

Advertising sales in Finland 1/2

€ 1 000	1–6/2004	Change-%
NEWSPAPERS	288,749	3.2
<i>Newspapers</i>	<i>257,551</i>	<i>2.6</i>
<i>Local and free distributed papers</i>	<i>31,198</i>	<i>9.5</i>
Aamulehti	20,762	0.8
Helsingin Sanomat	73,557	-0.5
Ilta-Sanomat	7,524	3.9
Iltalehti	5,242	-12.3
Kauppalehti	8,267	-0.5
Taloussanomat	1,937	22.0
Turun Sanomat	18,968	2.2
KÄRKIMEDIA*	56,227	8.5

Source:
TNS Gallup Adex

* Kärkimedia

Y: Kalvo_HS/HS04/interimreport2

Advertising sales in Finland 2/2

€ 1 000	1–6/2004	Change-%
MAGAZINES	72,015	3.4
<i>Consumer magazines</i>	40,067	6.5
<i>Professional publications</i>	23,716	-2.2
<i>Customer publications</i>	8,232	5.6
TELEVISION	116,068	8.3
RADIO	21,309	-5.4
OUTDOOR	16,576	-1.8
INTERNET	7,425	34.6
CINEMA	965	-25.2
Advertising sales revenue, total	523,106	4.0

Source:
TNS Gallup Adex

Y: Kalvo_HS/HS04/interimreport2

Advertising sales

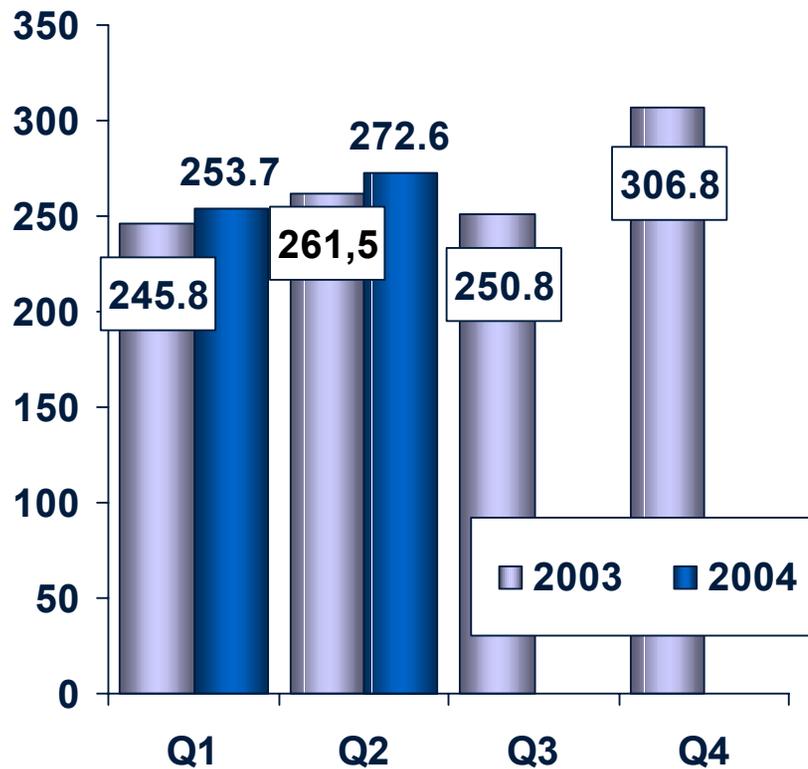
% of net sales

	1–6/2004	1–6/2003
Sanoma Magazines	21%	22%
Sanoma	49%	48%
SWelcom	57%	55%
The Group	21%	21%

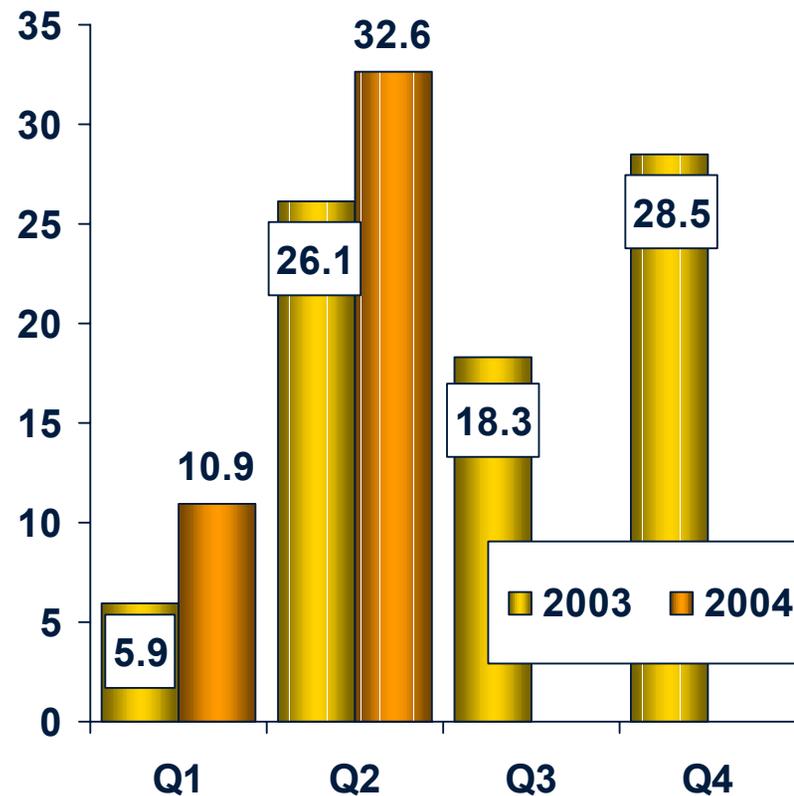
Y: Kalvo_HS/HS04/interimreport2

Sanoma Magazines

Net sales, € million



EBIT, € million



Y: Kalvo_HS/HS04/interimreport2

Sanoma Magazines

1-6/2004

13

€ million	1-6/2004	1-6/2003
Net sales		
Sanoma Uitgevers	249.6	250.9
Sanoma Magazines Belgium	97.1	92.5
Sanoma Magazines Finland	86.1	81.5
Sanoma Magazines International	67.5	61.8
Aldipress	54.9	50.3
Intracompany eliminations	-28.9	-29.8
Total	526.2	507.2
EBITA *	80.6	72.0
Gross investments	9.4	7.1
Personnel, average **	3,980	3,900

* Operating profit before amortisation

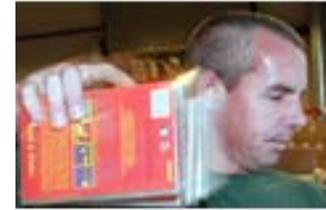
** Full-time equivalents

Y: Kalvo_HS/HS04/interimreport2

Sanoma Magazines

Key developments

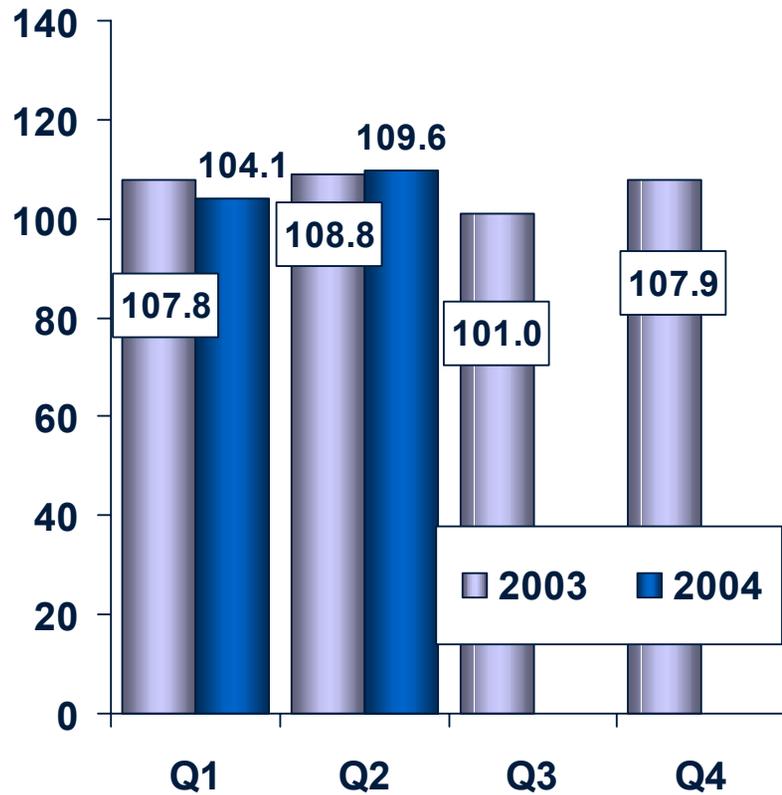
- Net sales grew by 3.8%, operating profit by 35.9%
- Circulation sales grew by 2%, growth in all businesses except in Sanoma Uitgevers
- Advertising sales decreased by 1%, growth in all markets except the Netherlands
- In Q2, new launches concentrated in the Netherlands:
 - the Netherlands: Maxim, OOK, Toute Royale, Witch, Esta, Pulse, Hotel & Lodge and a new shopping magazine, as well as Winnie de Pooh (re-launch)
 - Belgium: GLAM-IT (re-launch)



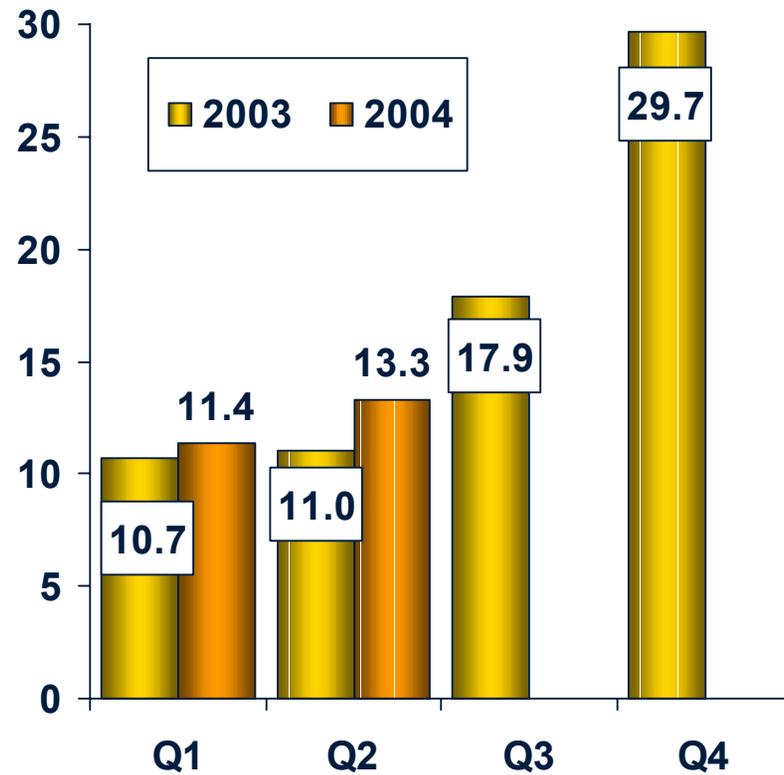
Y: KalvoT_HS/HS04/interimreport2

Sanoma

Net sales, € million



EBIT*, € million



* Operating profit; includes a share of Rautakirja's result until 1 March 2003

Y: Kalvo_HS/HS04/interimreport2

Sanoma

1-6/2004

16

€ million	1-6/2004	1-6/2003
Net sales		
Helsingin Sanomat	124.3	123.9
IS Business Unit	47.0	46.8
Kymen Lehtimedia	25.7	26.4
Others	65.5	100.6
Intracompany eliminations	-48.9	-81.1
Total	213.7	216.6
EBITA *	28.0	25.2
Gross investments	16.0	13.8
Personnel, average **	2,377	3,333

* Operating profit
before
amortisation

**full-time
equivalents

Y: Kalvo_HS/HS04/interimreport2

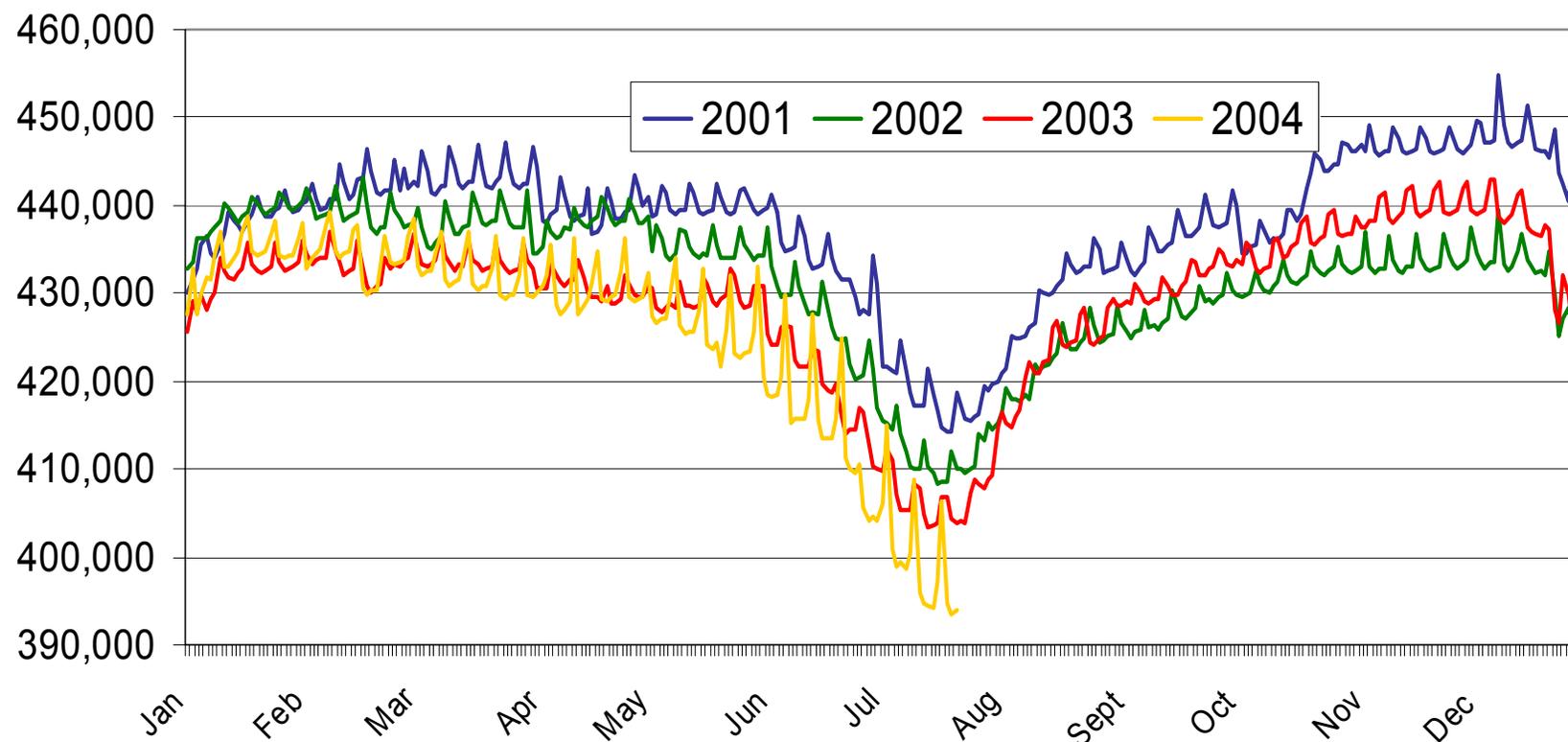
Sanoma

Key developments

- Net sales decreased slightly, (mainly distribution income)
 - Advertising sales grew by some 2%
 - Also circulation sales increased
 - Job advertising at Helsingin Sanomat started to increase
 - Ilta-Sanomat's circulation and market share grew (new inserts, among others)
- Operating profit increased
 - Improved result at Helsingin Sanomat, IS Business Unit and Kymen Lehtimedia
- Uutislehti 100 included in Sanoma, effective 1 June
- A minority share in Savon Mediat was sold after the review period (some EUR 7.3 million)

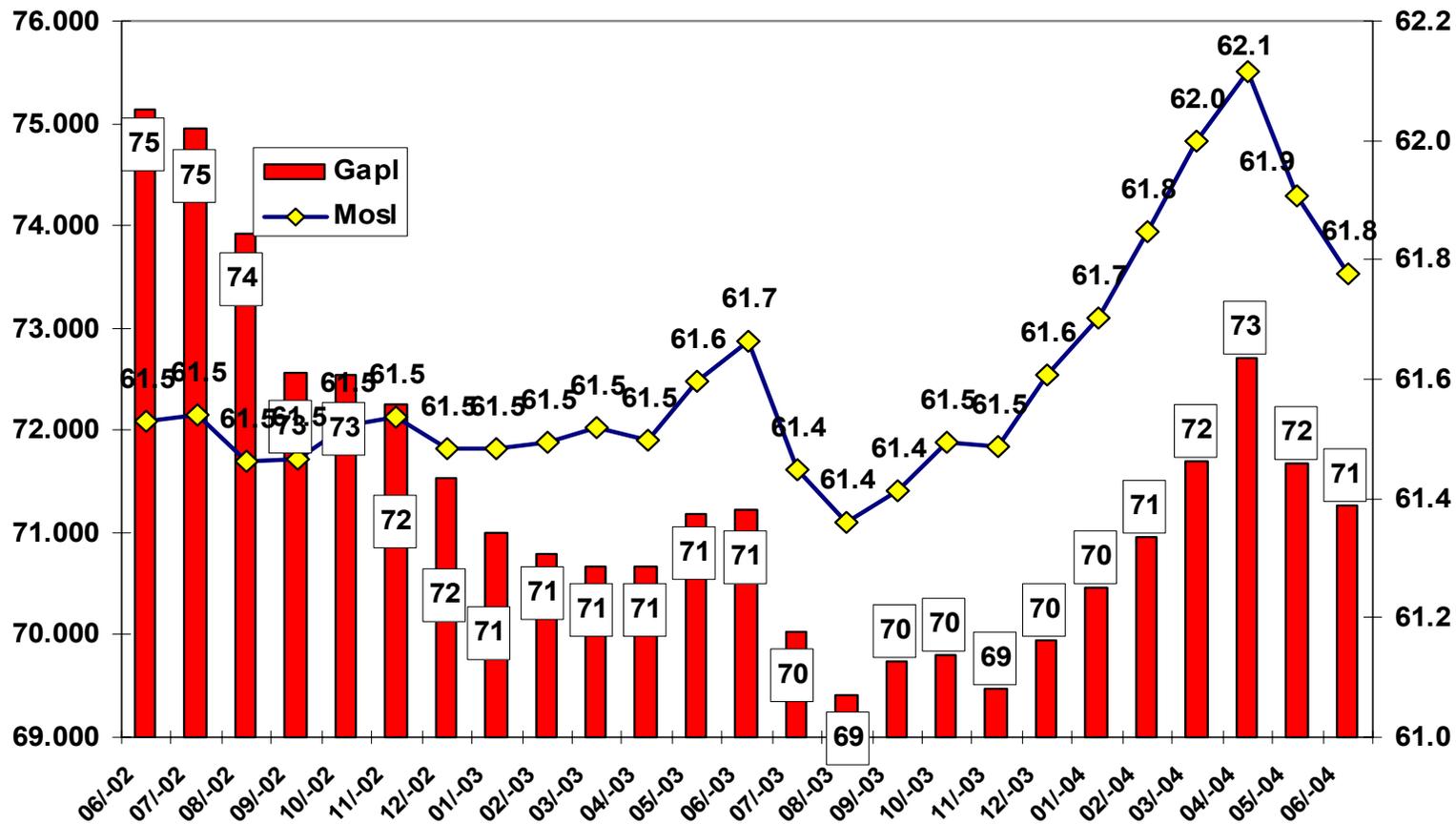


Helsingin Sanomat's net daily circulation



Y: Kalvo_HS/HS04/interimreport2

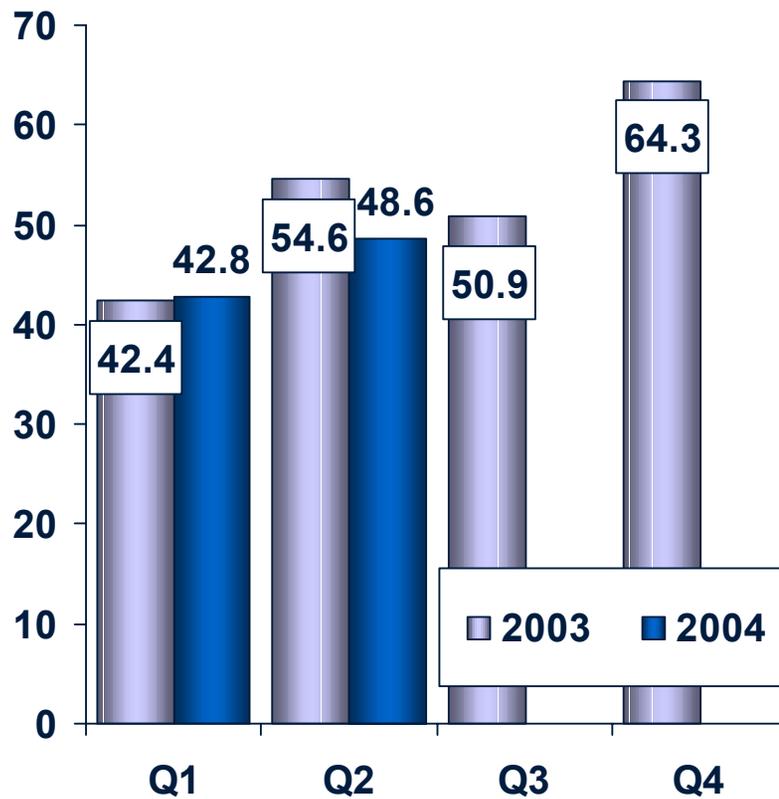
Ita-Sanomat market share and difference to competitor



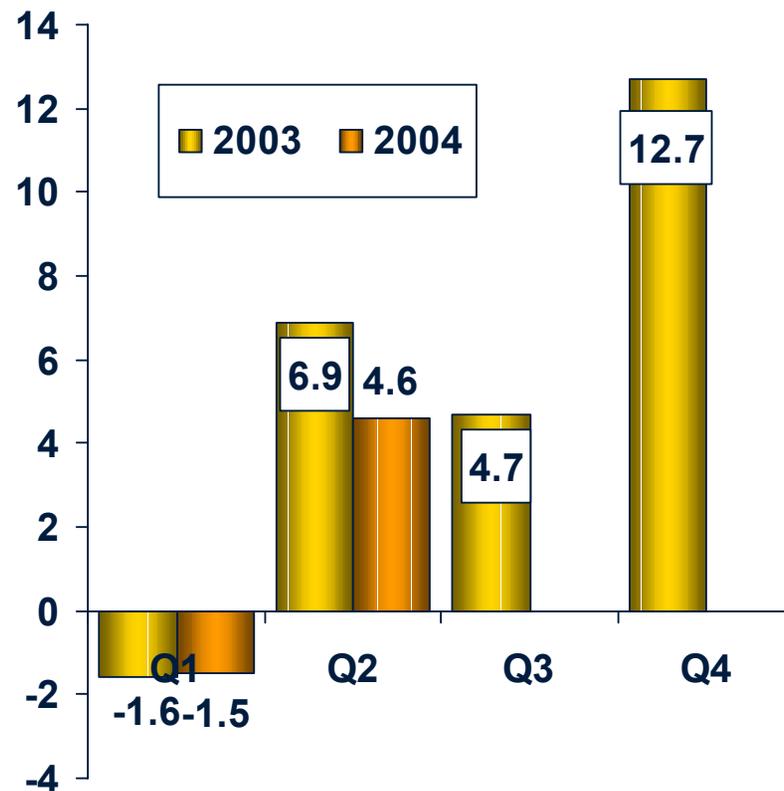
Y: Kalvo_HS/HS04/interimreport2

WSOY

Net sales, € million



EBIT*, € million



* Operating profit; includes a share of Rautakirja's result until 1 March 2003

Y: Kalvo_HS/HS04/interimreport2

WSOY

1-6/2004

21

€ million	1-6/2004	1-6/2003
Net sales		
Publishing	69.4	75.5
Printing	28.8	28.5
Calendar operations	3.5	4.2
Others	2.4	2.1
Intracompany eliminations	-12.7	-13.4
Total	91.4	97.0
EBITA *	4.6	6.7
Gross investments	5.1	5.0
Personnel, average **	1,819	1,864

* Operating profit before amortisation

** full-time equivalents

Y: Kalvo_HS/HS04/interimreport2

WSOY

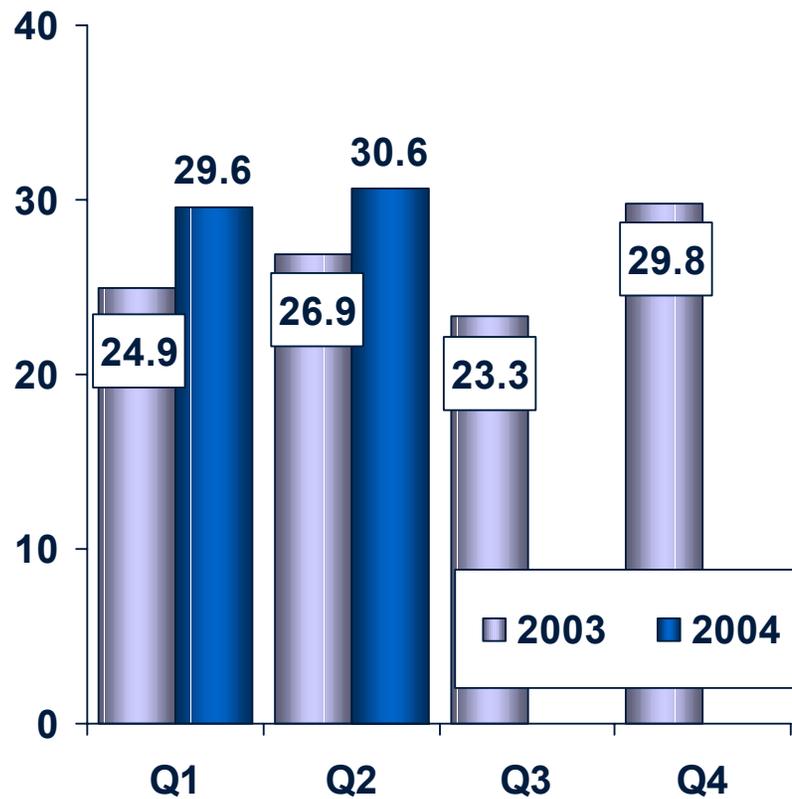
Key developments

- Net sales decreased by 5.8%
 - Changes in Group structure: Divestment of Genimap (12/03) and Everscreen AB (3/04), Young Digital Poland as a subsidiary (3/04)
 - Delivery of some multi-volume books and school textbooks postponed to the end of the year
 - Sales to bookstores grew by 10%, sales through book clubs slightly down
- After adjustment for structural changes, operating profit on the previous year's level
- **After the review period, agreement on acquiring Malmberg – educational publishing as one of the pillars of internationalisation**

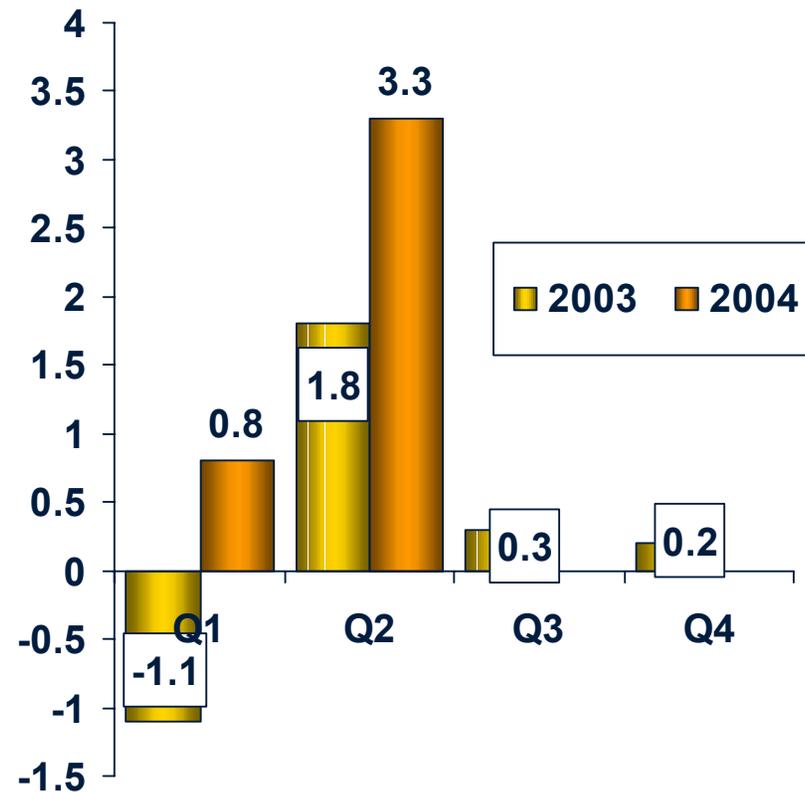


SWelcom

Net sales, € million



EBIT, € million



Y: Kalvo_HS/HS04/interimreport2

SWelcom

1-6/2004

24

€ million	1-6/2004	1-6/2003
Net sales		
Nelonen	34.1	28.7
Others	26.8	23.9
Intracompany eliminations	-0.6	-0.9
Total	60.3	51.8
EBITA *	20.3	14.8
Gross investments	5.1	3.4
Personnel, average**	381	383

* Operating profit
before
amortisation

**full-time
equivalents

Y: Kalvo_HS/HS04/interimreport2

SWelcom

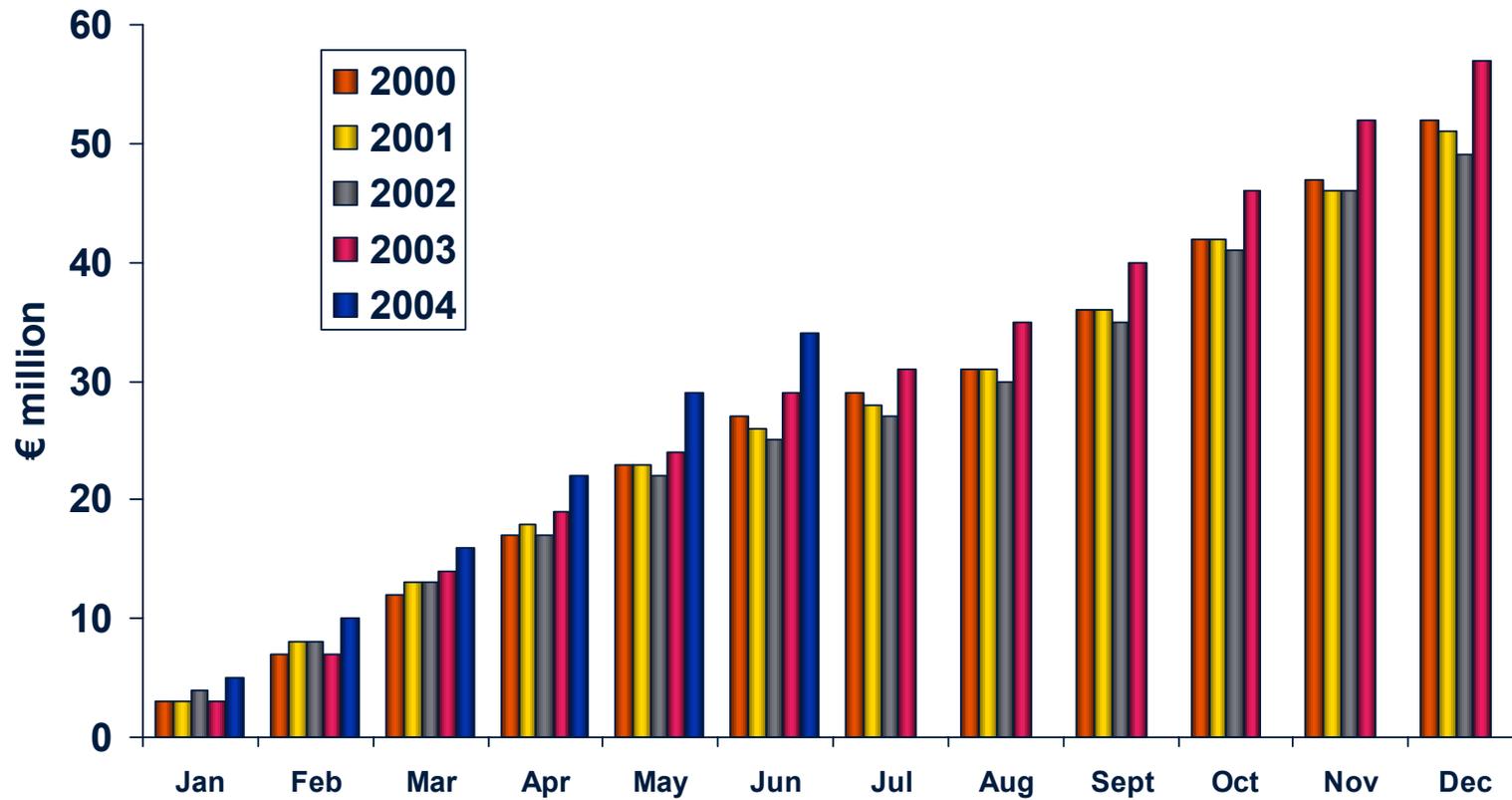
Key developments

- Development in results excellent, both Nelonen and HTV improved their results
- Net sales continued their excellent growth
 - Nelonen's advertising sales grew by almost 19% during the review period
 - Of the main Finnish TV channels, only Nelonen gained an increased number of viewers;
 - Growth in almost all target groups, biggest increase among 25–44 old women. (+3 min/day)
 - HTV grew due to the increase in sales of connections and popularity of the broadband services



Nelonen's sales

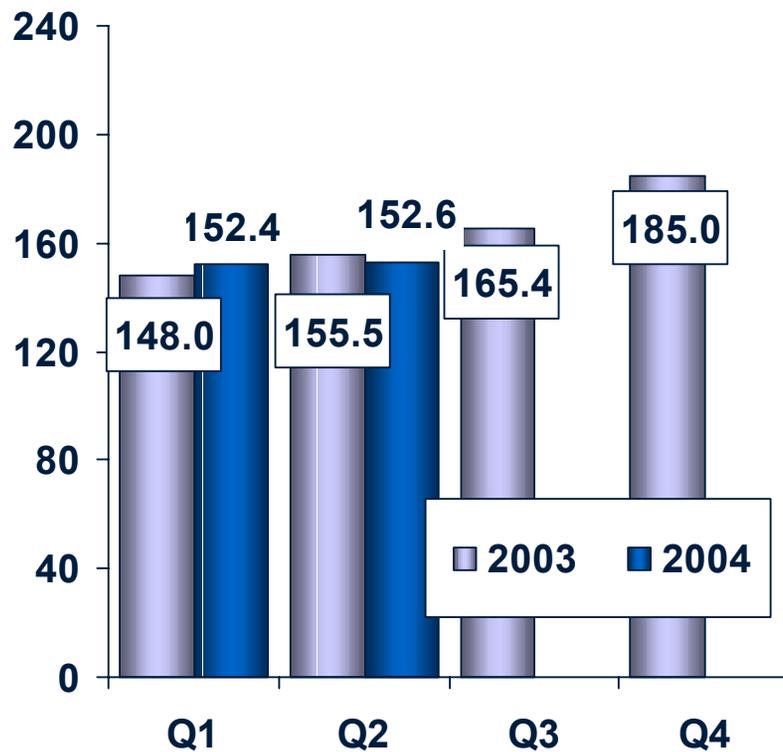
Cumulative



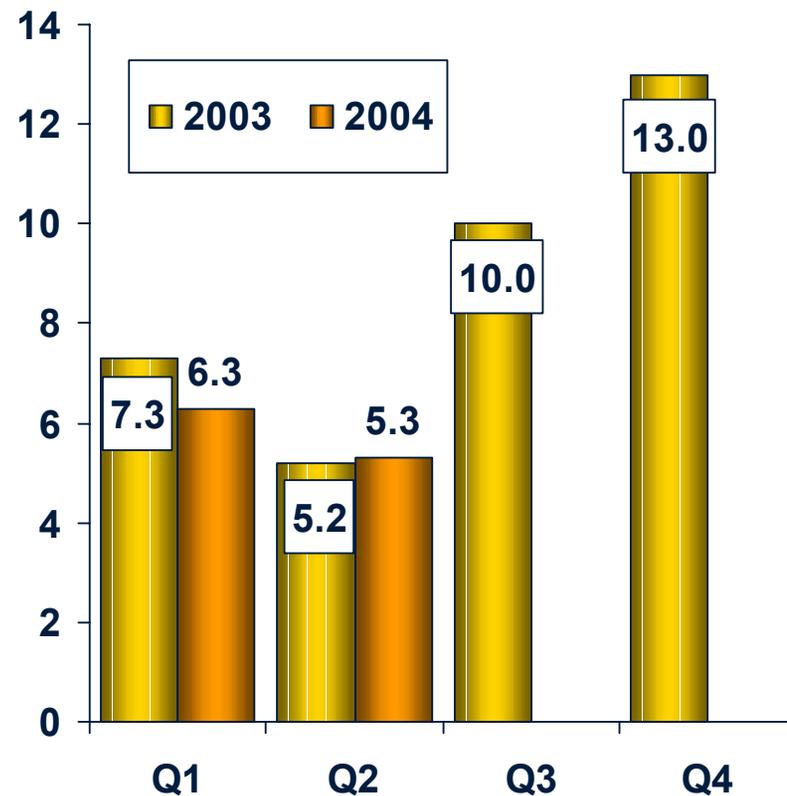
Y: Kalvo_HS/HS04/interimreport2

Rautakirja

Net sales, € million



EBIT, € million



Y: Kalvo_HS/HS04/interimreport2

Rautakirja

1-6/2004

€ million	1-6/2004	1-6/2003
Net sales		
Kiosk operations	167.8	172.3
Press distribution	39.6	42.4
Bookstores	48.4	45.3
Movie theatre operations	26.1	25.1
Restaurant operations	28.8	30.0
Intracompany eliminations	-5.7	-11.6
Total	305.0	303.5
EBITA *	15.9	17.5
Gross investments	8.6	16.3
Personnel, average**	4,821	4,897

* Operating profit before amortisation

**full-time equivalents

Y: Kalvo_HS/HS04/interimreport2

Rautakirja

Key developments

- Net sales grew, growth in Estonia, Lithuania and the Czech Republic
 - Kiosk sales weakened by the beer price competition
 - Newsstand sales increased by 4%
 - Net sales from bookstores boosted by acquisitions and good development in book sales
 - Visits to the movie theaters started to increase also in Finland in May due to block busters
- Operating profit down by 7.8% (sluggish first half in movie theater operations in Finland, new periodisation of subscription sales at bookstores)



Estimates for 2004

by Division

Sanoma Magazines

- Net sales are expected to grow.
- EBIT is expected to increase despite significant investments in magazine launches and growth.

Sanoma

- Comparable net sales are expected to grow slightly.
- Operating profit from basic business operations is expected to improve more than net sales, due to long-term development measures.
- Operating profit will fall short of the previous year's figure, as non-recurring gains on the sales of assets are expected to be smaller than in 2003.

WSOY

- Net sales are expected to be on the previous year's level but, after adjustment for changes in Group structure, net sales will grow.
- Comparable operating profit is expected to increase.
- Estimate does not include the effect of the Malmberg acquisition.

SWelcom

- Net sales are expected to grow substantially.
- Operating profit is expected to improve further.

Rautakirja

- Comparable net sales are expected to grow in line with the growth in retail business.
- Operating profit is expected to improve.

Group's outlook for 2004

- After adjustment for changes in Group structure, net sales are expected to grow by some 3%.
 - Comparable operating profit is expected to improve markedly
 - In 2003, operating profit included some EUR 43 million of non-recurring gains on the sales of assets. In 2004, the non-recurring gains on the sales of assets may remain below that.
 - Net financing costs will be significantly lower than in 2003. Result before extraordinary items is thus estimated to be on the previous year's level.
 - Estimates are based on the presumption that the advertising market will not weaken significantly towards the end of 2004.
 - When completed, the effect of the Malmberg acquisition on the Group's result in 2004 will be minor due to the timing.
- ➔ SanomaWSOY will start to report according to IFRS standards **in the beginning of 2005**. This will improve the Group's operating profit significantly.



Acquisition: Malmberg Investments

Transaction overview

- **SanomaWSOY Group's division WSOY**, Finland's largest book publisher and the market leader in general literature, educational materials, and several special publications, purchases **Malmberg Investments B.V.**, one of the leading educational publishers in the Netherlands (Malmberg) and Belgium (Van In)
- **Malmberg Investments B.V.** net sales in 2003 EUR 85.7 million
- **Malmberg Investments B.V.** personnel in 2003 (average) 340 FTE's BB
- Enterprise value EUR 221.9 million
- The acquisition is subject to approval of both Dutch and Belgian competition authorities.

Acquisition of Malmberg

Complement each other

- Malmberg's and WSOY's educational assets complement each other excellently, creating synergy possibilities:

Malmberg:

- proven cross border content utilisation
- innovative and pedagogically efficient learning systems
- product series and market know-how

WSOY:

- leadership in all school levels, especially in maths and languages
- YDP's digital content production and WSOY's OPIT -platform
- broad scope of marketing solutions

- Companies share a common vision on the future of learning systems and ICT's role in them
- The new entity has the resources to take full advantage of opportunities in the evolving European educational publishing market

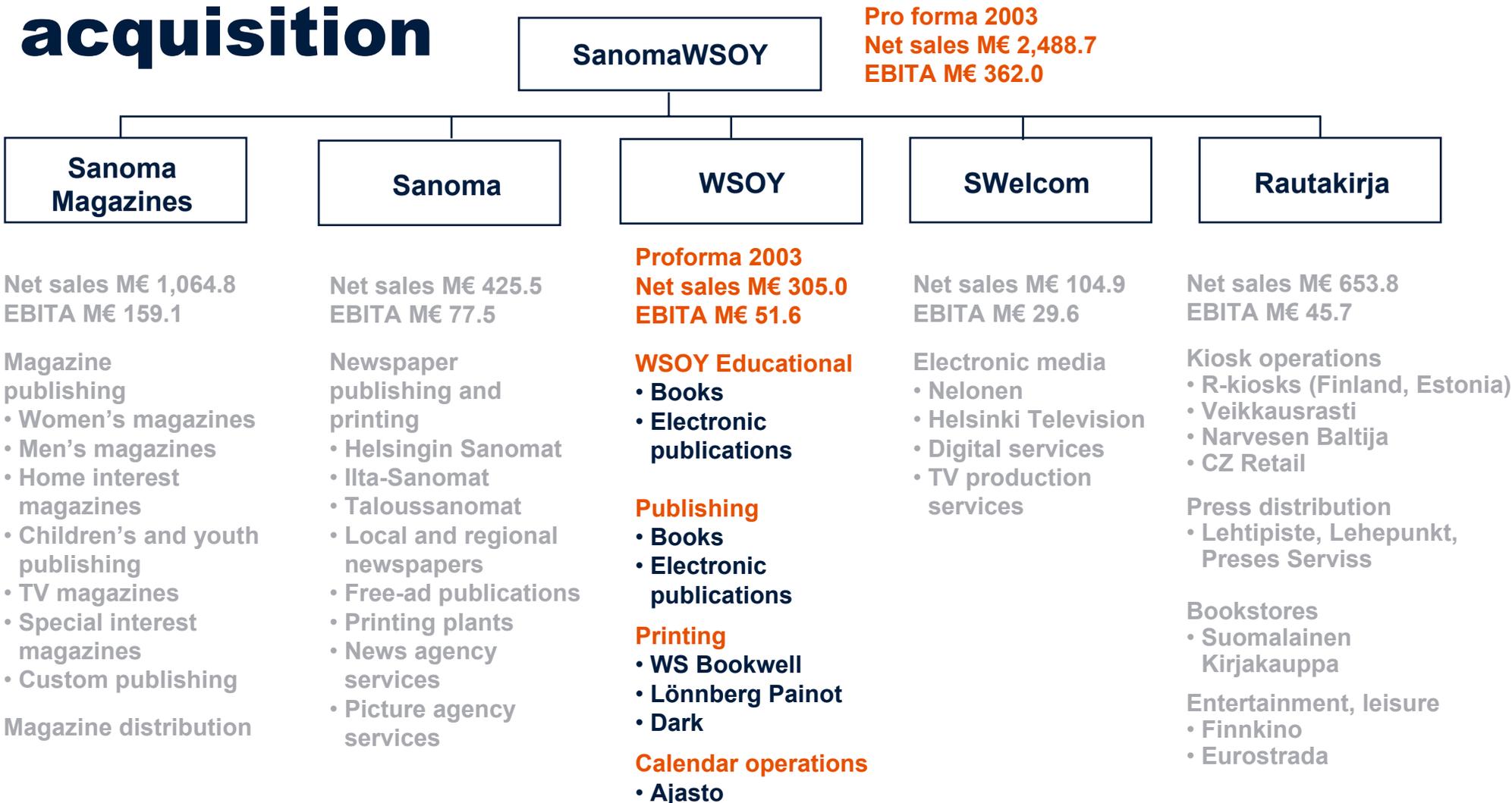
Acquisition of Malmberg

Valuation and Financing

- Malmberg's operational performance:
 - Strong profitability, 2003 EBITA EUR 23.6 million, 27.6% of net sales (EUR 85.7 million in 2003)
 - Market outperforming revenue growth rate (CAGR 1999–2003 9.9%)
- Valuation
 - Enterprise value EUR 221.9 million
 - EV / EBITA (2003) 9.4x
 - 2004 EPS effect minor due to timing
 - 2005 EPS effect clearly positive
- Financing
 - Due to the strong balance sheet of SanomaWSOY and good cash flow the acquisition can be financed by 1–2 years bank facilities, average margin 25 bp.
- Group's equity ratio will temporarily decline of some 3 percentage points, but recovers already during the rest of the year due to good cash flow

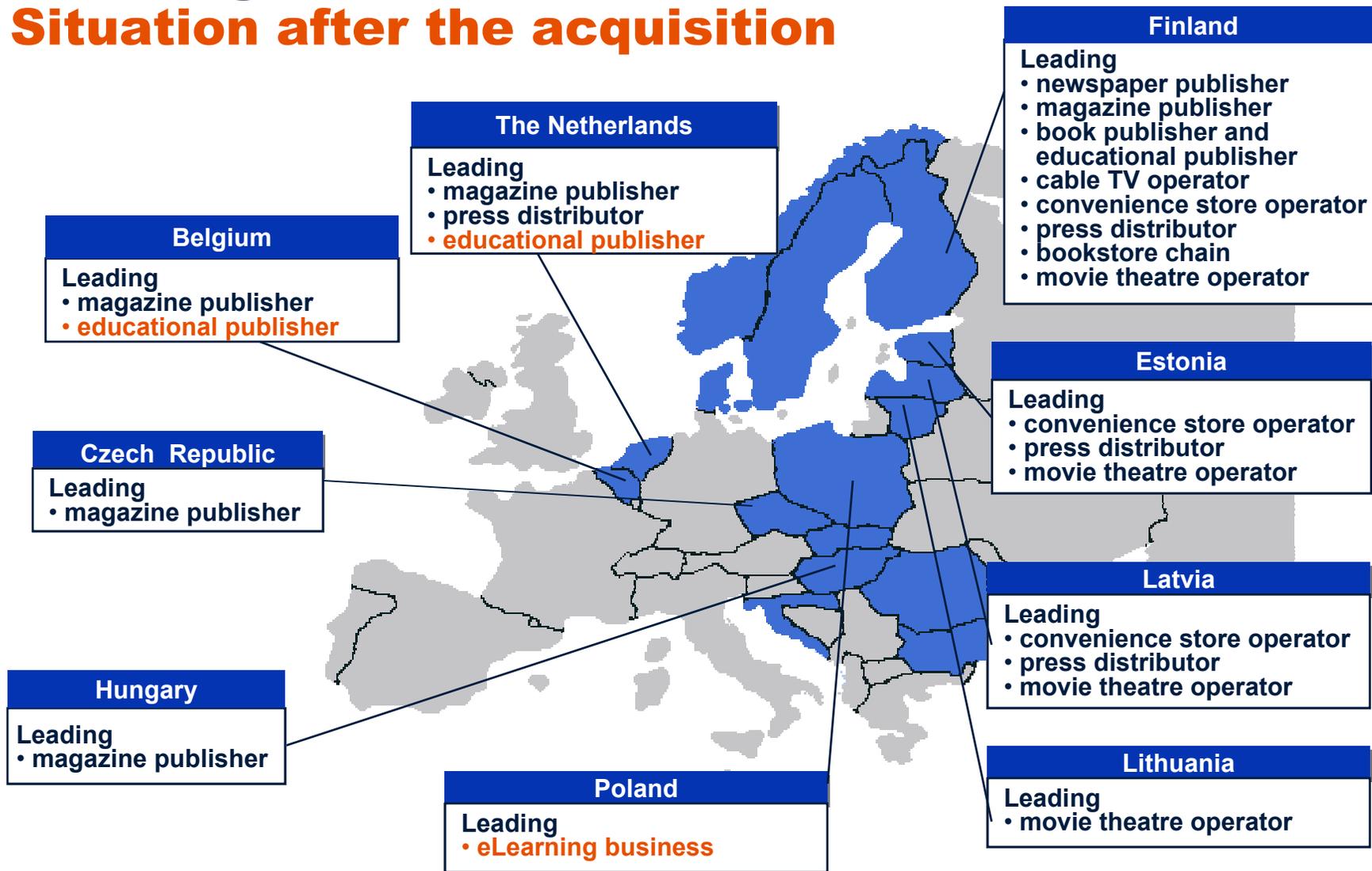
SanomaWSOY Group after the acquisition

2003 pro forma,
excluding YDP
eliminations



Strong Market Positions

Situation after the acquisition



Y: Kalvo_HS/HS04/interimreport2

Next steps in international expansion

”To internationalise step by step”

Magazines

- Present in 9 European countries, leading in the Netherlands, Finland, Belgium, Hungary and the Czech republic
- Interesting new markets:
 - Serbia
 - Russia
 - Ukraine
 - Belo-Russia
 - Portugal
 - Spain

Press distribution

- Leading in Finland and Estonia
- Completing the Baltic presence by expanding to Lithuania and strengthening position in Latvia
- Romania (Hiparion)
- Interesting new markets:
 - Russia
 - Slovakia
 - Other CEE countries

Educational materials

- Strong position in all segments in Finland
- Malmberg acquisition providing strong positions in the Netherlands and Belgium
- YDP the leading eLearning provider
- Interesting new markets:
 - CEE countries



Committed to the Future

www.sanomawsoy.fi