

# 2003 and beyond

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Capital Markets Day

14 May 2003

# Agenda

- SanomaWSOY today
- Q1 result
- Market environment
- Mid term targets – strategic and financial
- Delivering our promises

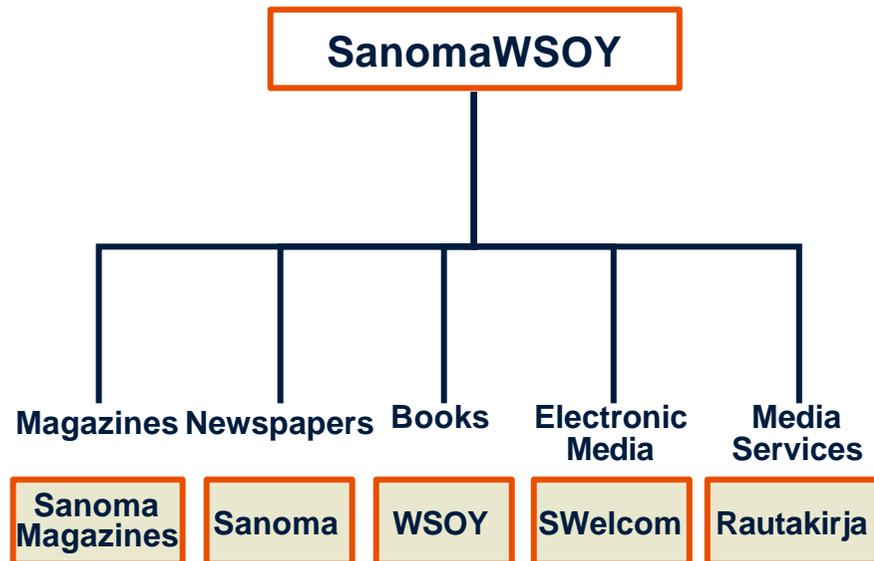


# A growing European media company

with a market leading media portfolio in Finland

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## Organisational structure



## Key SanomaWSOY facts

- Leading domestic media portfolio in Finland
  - Number 1 in all businesses except TV
- Europe's fifth-largest magazine publisher – market leader in the Netherlands, Belgium, Czech Republic, Finland and Hungary
- Growing European media presence in 14 European countries
- Net sales (2002) of € 2.4 billion (36% growth)
- Operating profit (2002) of € 134 million (39% growth)

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# The Leading Media Company in Our Chosen Markets

## Our vision

Our aim is to be the number-one media company in our chosen markets, offering

- the most wanted and valued products and services and
- the best level of sustainable profitability and growth.

# Mission

- To be one of Europe's leading media companies in terms of stakeholder value growth.

Q1 result

# Key indicators

€ million	1-3/2003	1-3/2002	Change.%
Net sales	<b>564.0</b>	559.0	0.9
Operating profit before goodwill amortisation	<b>65.2</b>	70.6	-7.7
% of net sales	<b>11.6</b>	12.6	
Operating profit	<b>14.8</b>	14.0	5.5
% of net sales	<b>2.6</b>	2.5	
Balance sheet total	<b>2,529.8</b>	3,004.8	-15.8
Gross investments	<b>17.5</b>	17.8	-1.7
Equity ratio, % (incl. capital notes)	<b>46.3</b>	40.1	
Equity ratio, %	<b>37.7</b>	32.9	
Earnings/share, €	<b>-0.05</b>	0.07	
Cash flow/share	<b>0.50</b>	0.53	-5.3
Market capitalisation	<b>1,322.0</b>	1,823.7	-27.5
Personnel under employment contract *	<b>17,761</b>	18,472	-3.8
Personnel on average **	<b>14,375</b>	15,247	-5.7

\* average  
\*\* full-time  
equivalents

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# Key developments 1–3/2003

- The comparable operating result improved
- The impact of financial income has decreased. In line with the strategy, share portfolio was realised significantly during the years 2001 and 2002.
- Balance sheet lightened, strong cash flow
- Equity ratio continued to increase
- Cautious investments
- Weak advertising market
- Rautakirja merged into SanomaWSOY on 1 March

After the period:

- Dividend was paid on 10 April (0.40 €/share)
- Share capital was decreased by over € 8 million by invalidating Sanoma's and WSOY's SanomaWSOY Series B shares
- Sanoma divested the operations of its distribution company Leijonajakelu Oy to Finland Post

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# Market environment

# Finland's largest media companies

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<b>Net sales / €million</b>	<b>2001</b>	<b>2002</b>
SanomaWSOY Group	1,730	2,358
Alma Media Group	478	486
YLE - Finnish Broadcasting Company	381	375
TS Group Ltd	276	
Otava Books and Magazines Group Ltd.	209	219
Edita Group	179	160
Talentum Group	107	115
A-lehdet Group	77	
Pohjois-Karjalan Kirjapaino Group	53	49
Ilkka Group	53	66
Janton Media Group	50	53
Keskisuomalainen Group	50 *	90

\* pro forma net sales 2001: 90.7 MEUR, Savon Mediat Oyis part of Keskisuomalainen from November 22, 2001.

Sources: Annual Reports, financial statements

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# The largest media companies in the Nordic Region

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<b>Corporate net sales/€million</b>		<b>2001</b>	<b>2002</b>
SanomaWSOY Group	Finland	2 321 *	2 358
Bonnier AB	Sweden	1 810	1 925
Egmont	Denmark	1 141	1 200
Schibsted A/S	Norway	1 025	1 012
Orkla Media	Norway	937	910
MTG	Sweden	688	662
Alma Media Group	Finland	478	486
Carl Allers Etablissement	Denmark	443	469
Danmarks Radio	Denmark	442	412
NRK	Norway	407	
Sveriges Television	Sweden	406	
Oy Yleisradio Ab	Finland	381	375
A-pressen	Norway	289	311

\* Pro forma

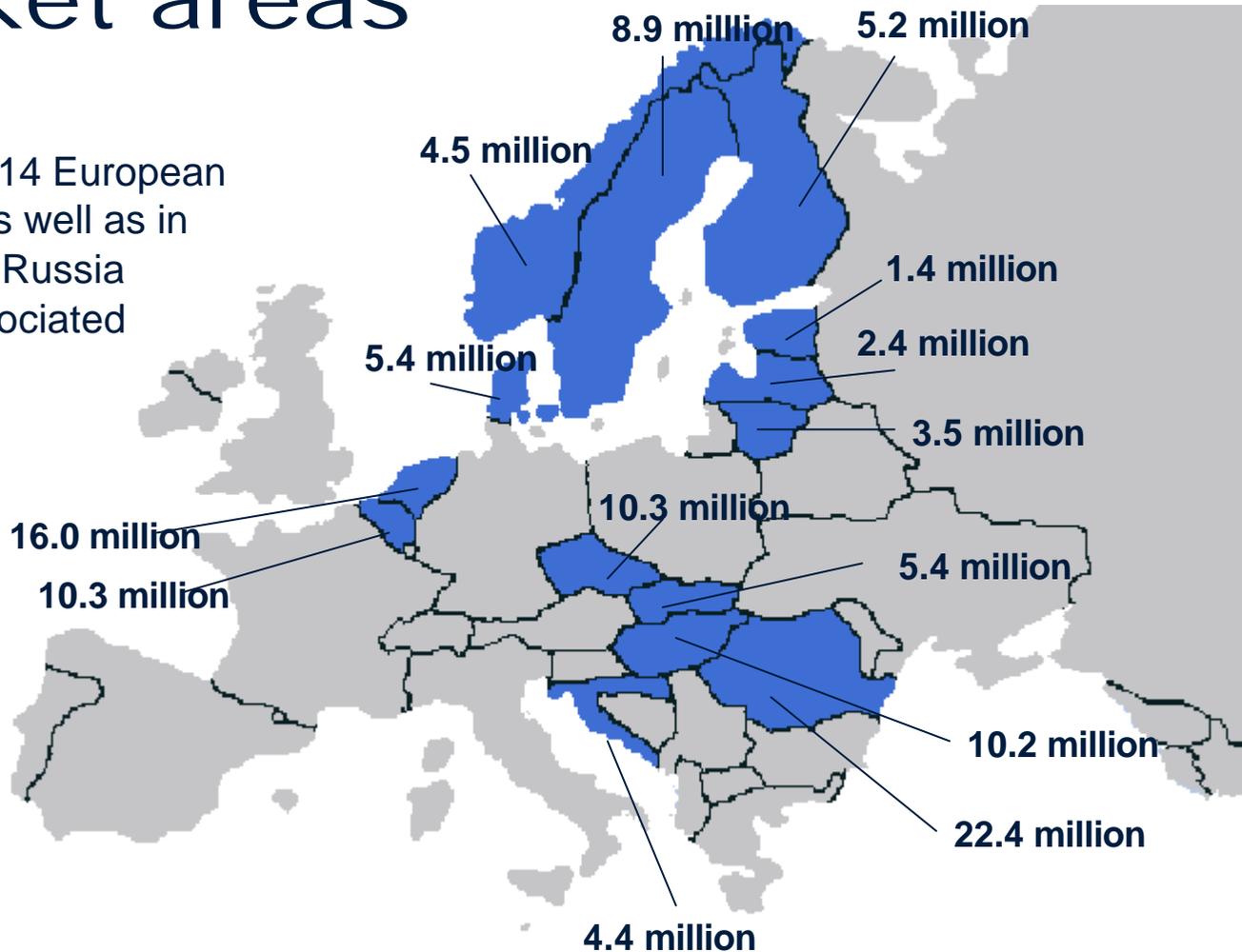
Exchange rates  
as of  
28.12.2001,  
8.4.2003

Sources:  
Annual Reports,  
financial  
statements,  
Balance  
Consulting

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# Population in SanomaWSOY's market areas

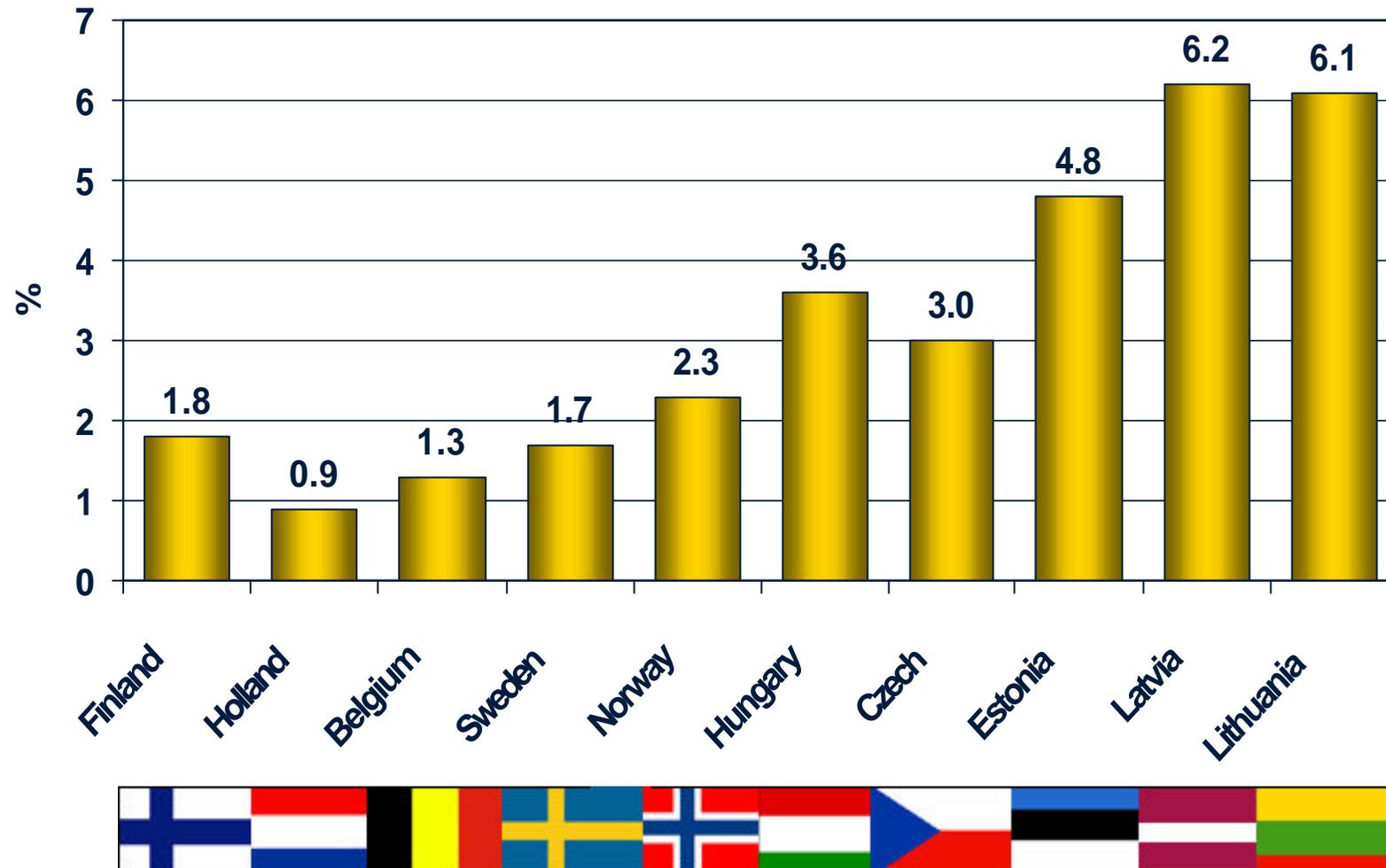
Activities in 14 European countries, as well as in Poland and Russia through associated companies.



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# GDP, change %

estimates for 2003



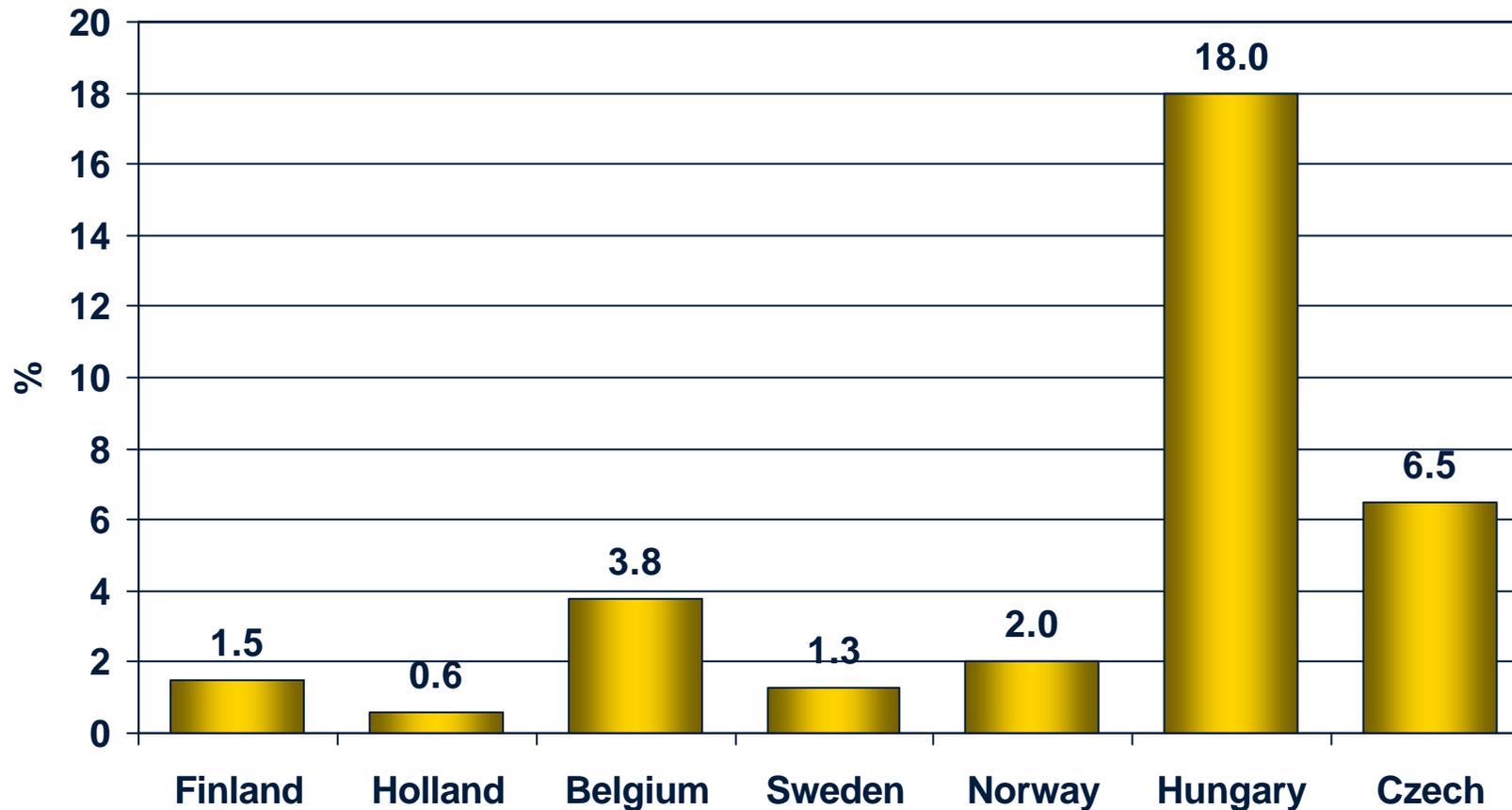
Source: Finnpro

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# Advertising expenditure

year-on-year 2002-03

change, % at current prices



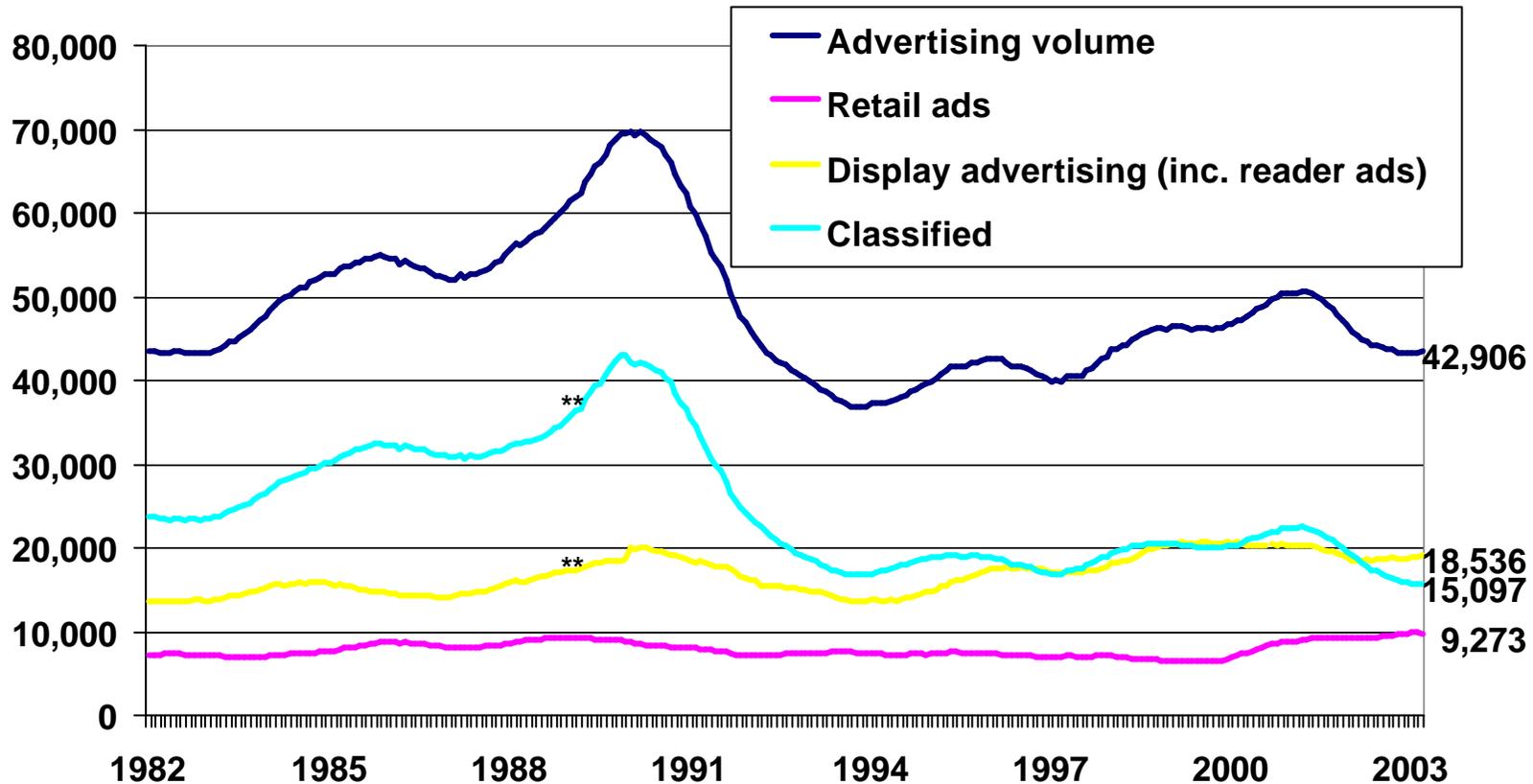
Source: Zenith Media

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# Helsingin Sanomat

Advertising volume (rolling 12 months)  
average 1982-3/2003

Column meters

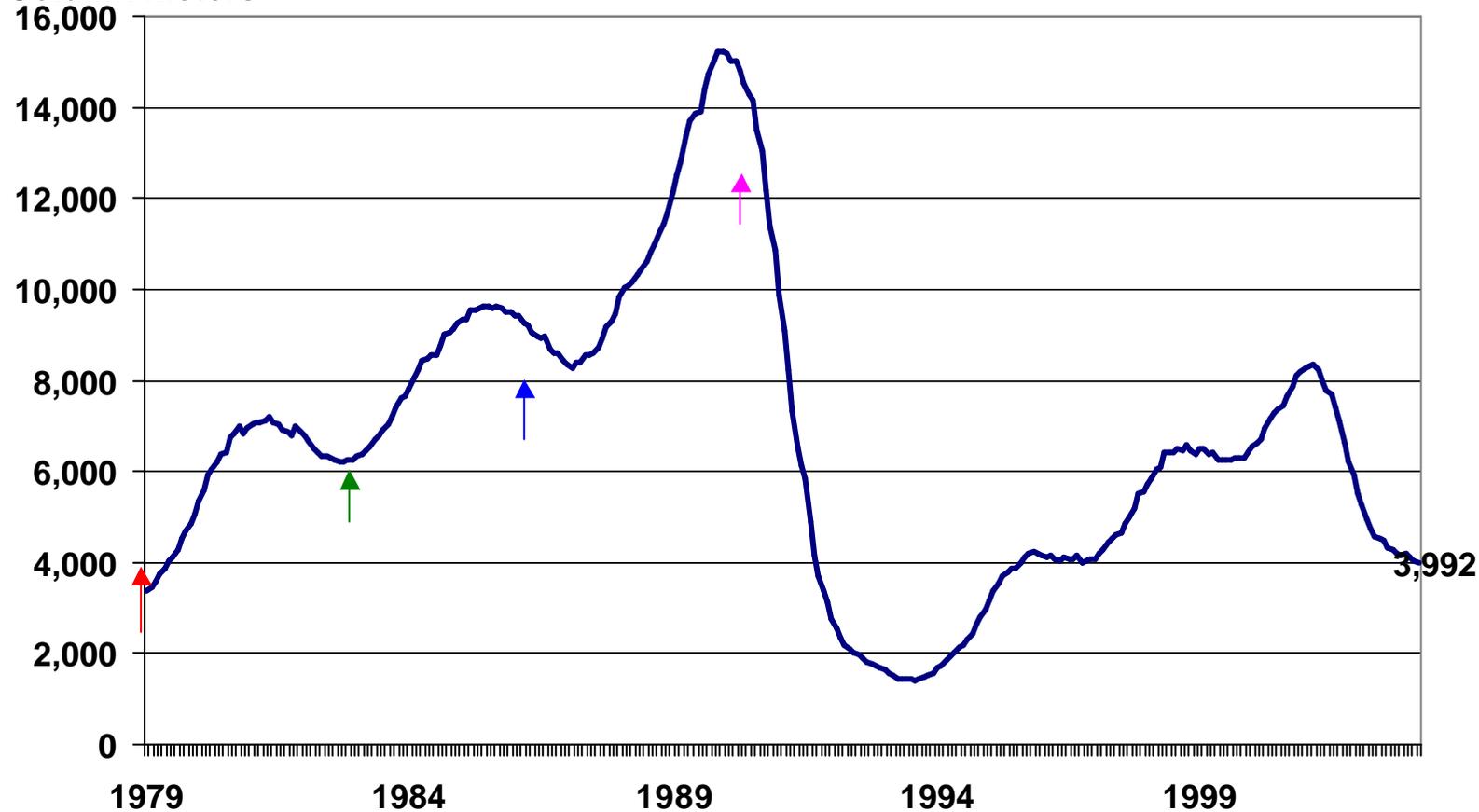


\*\*) Since 1990 the back page ads are included in display ads  
\* incl. death notes

# Helsingin Sanomat

## Rolling 12 month volume 1978–3/2003 Job advertisements

Column meters



1973–1978: 1st oil crisis

1982–1983: mild & short recession

Unsettled labour market in spring '86, devaluation threat in autumn '86 as well as a weak outlook for Soviet trade

Turn in economic trend 1990

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# Mid term targets – strategic and financial

# Strategic challenges

- Growth
- Profitability
- Focusing
- Internationalisation
  
- Means
  - Internationalisation
    - educational material
    - distribution
    - multimedia in some market/markets
  - Strong domestic mediaportfolio
    - Sanoma/SWelcom/WSOY
  - Non core

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# Clear Strategic Objectives

- To build a balanced business and market portfolio, that ensures sustainable growth and profitability
- To internationalize 1–2 additional businesses step by step
- To be a market leader in our chosen businesses and markets
- To be a leading European magazine publisher
- To develop profitable products and services; including those that can be successfully expanded cross-media or internationally
- To increase the profitability of our present businesses and improve efficiency
- To divest non-core assets and businesses
- To continuously promote best management practices

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# Strategic financial targets

## Sustainable profitability and growth

### Operating profit (EBIT) margin, %

	2002	Strategic Target
Sanoma Magazines	5.8	9.0
Sanoma	9.6	12.5
SWelcom	-20.9	7.5
WSOY	9.5	12.0
Rautakirja	5.2	6.0
SanomaWSOY	5.7	9.0

- As **dividend** at least one-third of the Group's cash flow from operations
- **Capex** yearly basic level < € 100 million
- **Equity ratio** approx. 50%

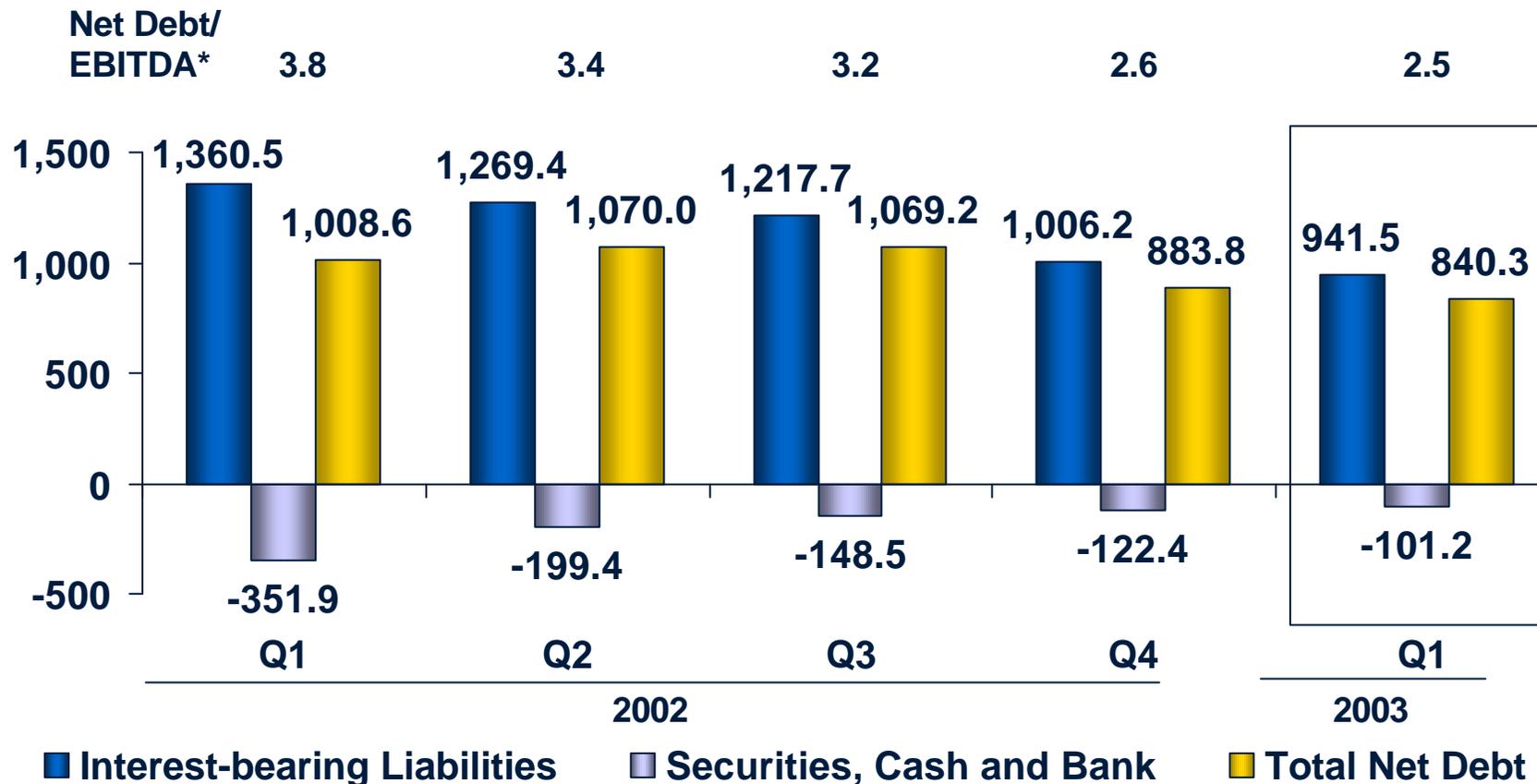
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Delivering our promises

# Continued fast deleveraging

Net debt lowered by €44 million in 1st quarter

Net Debt and Net Debt/EBITDA development (€ million)

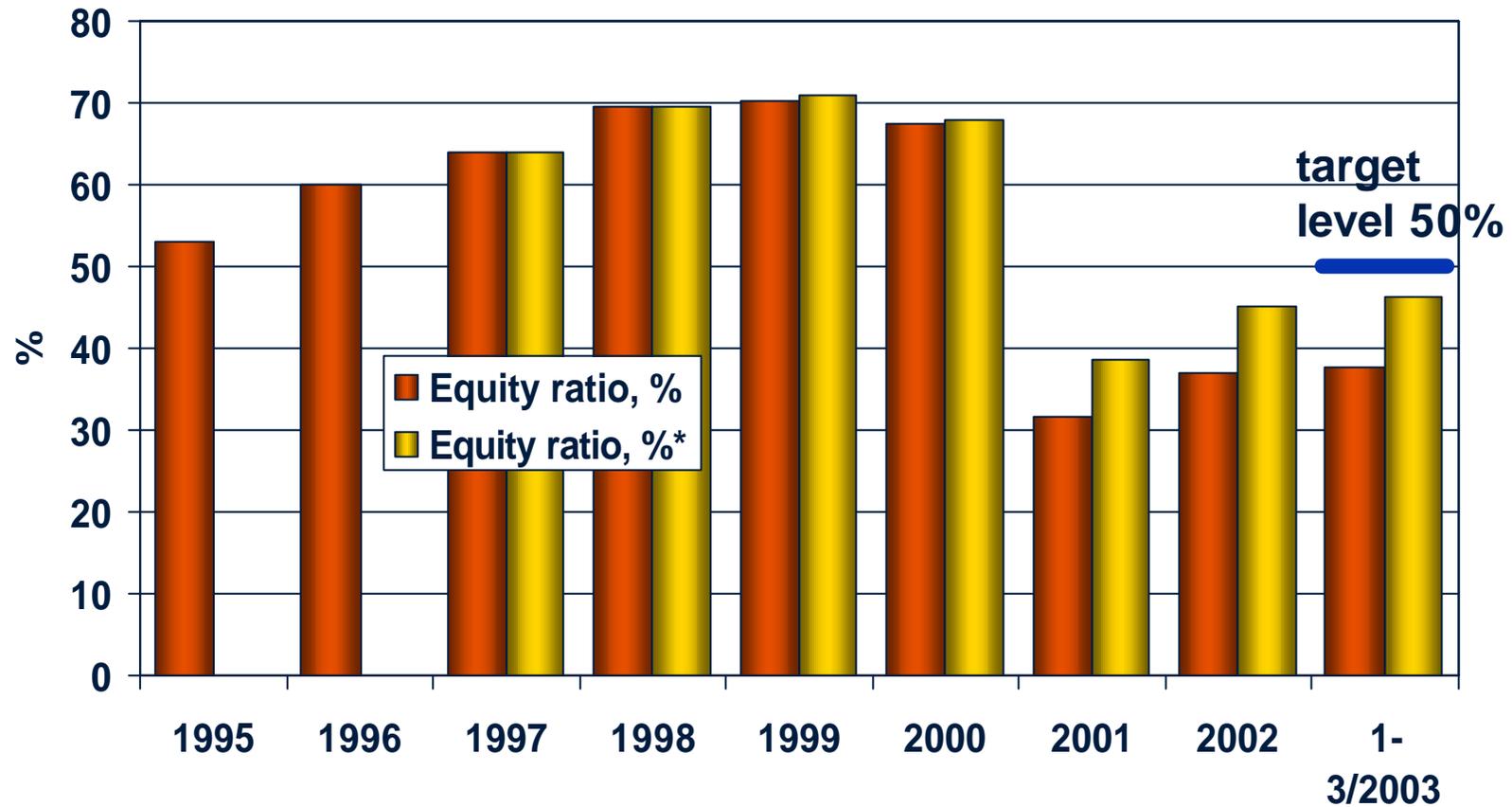


\* Rolling 12 months EBITDA

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# Equity ratio



\* Capital notes included in equity

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# Cost savings and restructuring

- Startel/Taloussanomat
- Sanoma Uitgevers
- Cooperation within Sanoma's newspapers
- Refocusing 2ndhead's operations
- WSOY: calendar operations, electronic publishing
- Urheilutelevisio (Finnish Sport Channel)

**TALOUS** ✦ **SANOMAT**

**2ndhead**

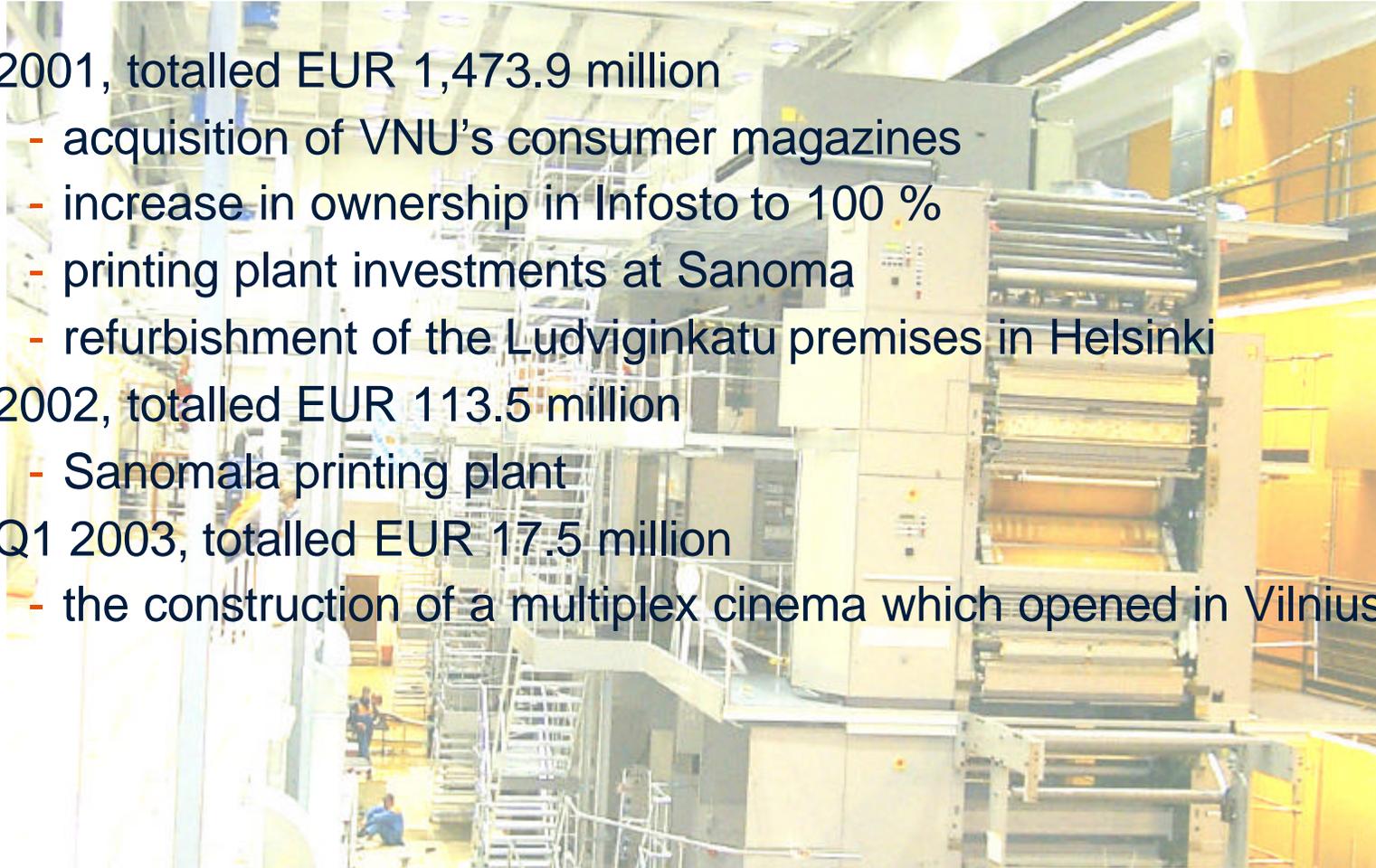
 **AJASTO**

**DOCENDO**

  
**URHEILUKANAVA**

# Investments 2001–2003

- 2001, totalled EUR 1,473.9 million
  - acquisition of VNU's consumer magazines
  - increase in ownership in Infosto to 100 %
  - printing plant investments at Sanoma
  - refurbishment of the Ludviginkatu premises in Helsinki
- 2002, totalled EUR 113.5 million
  - Sanomala printing plant
- Q1 2003, totalled EUR 17.5 million
  - the construction of a multiplex cinema which opened in Vilnius

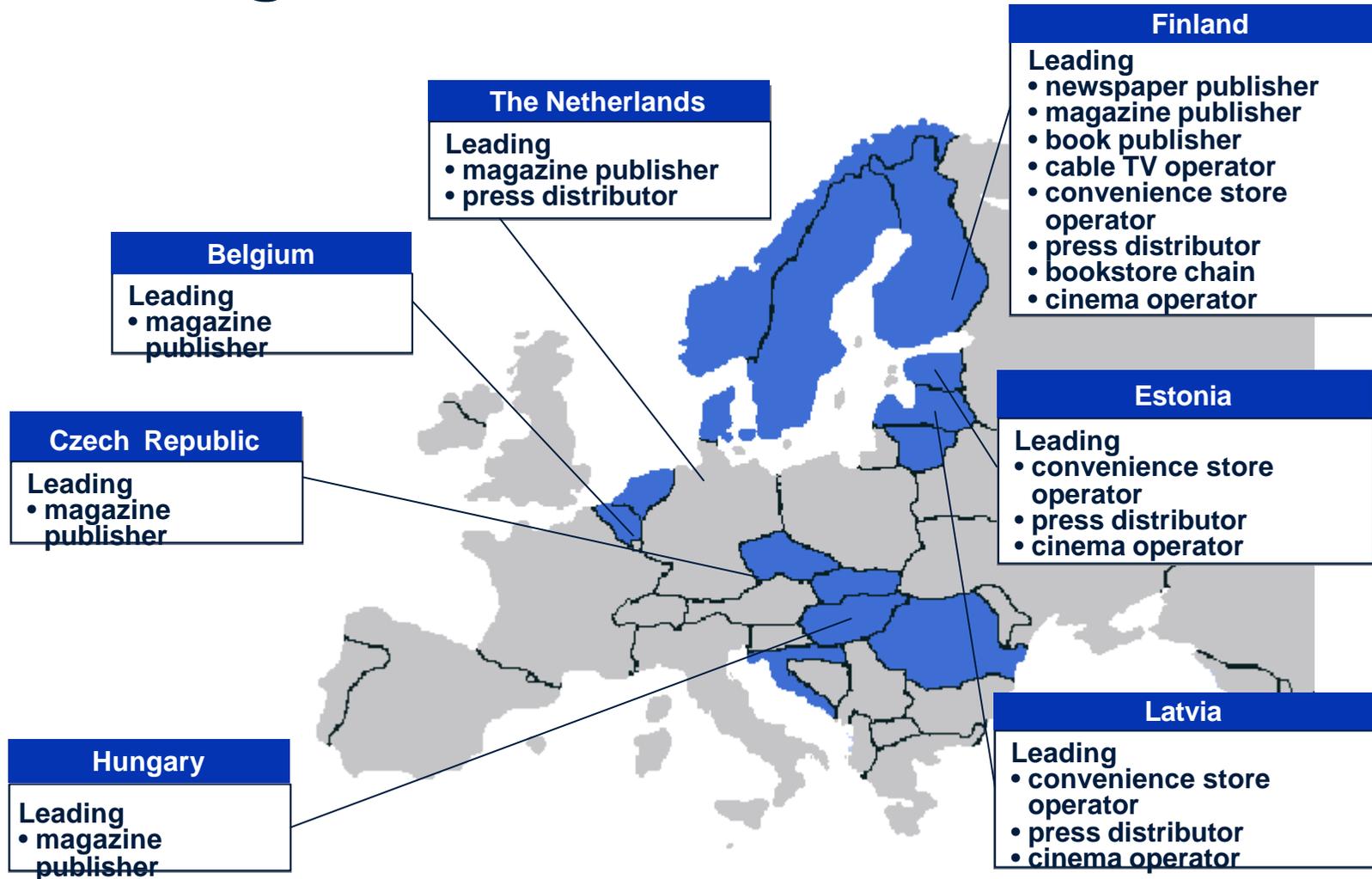


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# Divestments 2001–5/2003

- BEAP
- Blue Book
- Ecovision and StarDesk and StarWeb businesses
- Dose
- Holding in Ilkka Group
- Savon Mediat
- Nettirahastot
- Narvesen
- Real estates and share portfolio
- Leijonajakelu

# Strong Market Positions



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# Emphasis in 2003

- To continue improving profitability
- To focus on the operations / divest non-core assets
- To pay attention on cash flow
  - Lighten the balance sheet
  - Decrease the net debt
- To use wisely growth possibilities
  - To enhance internationalisation
- To enforce Groups internal integration and cooperation



Committed to the Future