

# Analysing the SanomaWSOY Group

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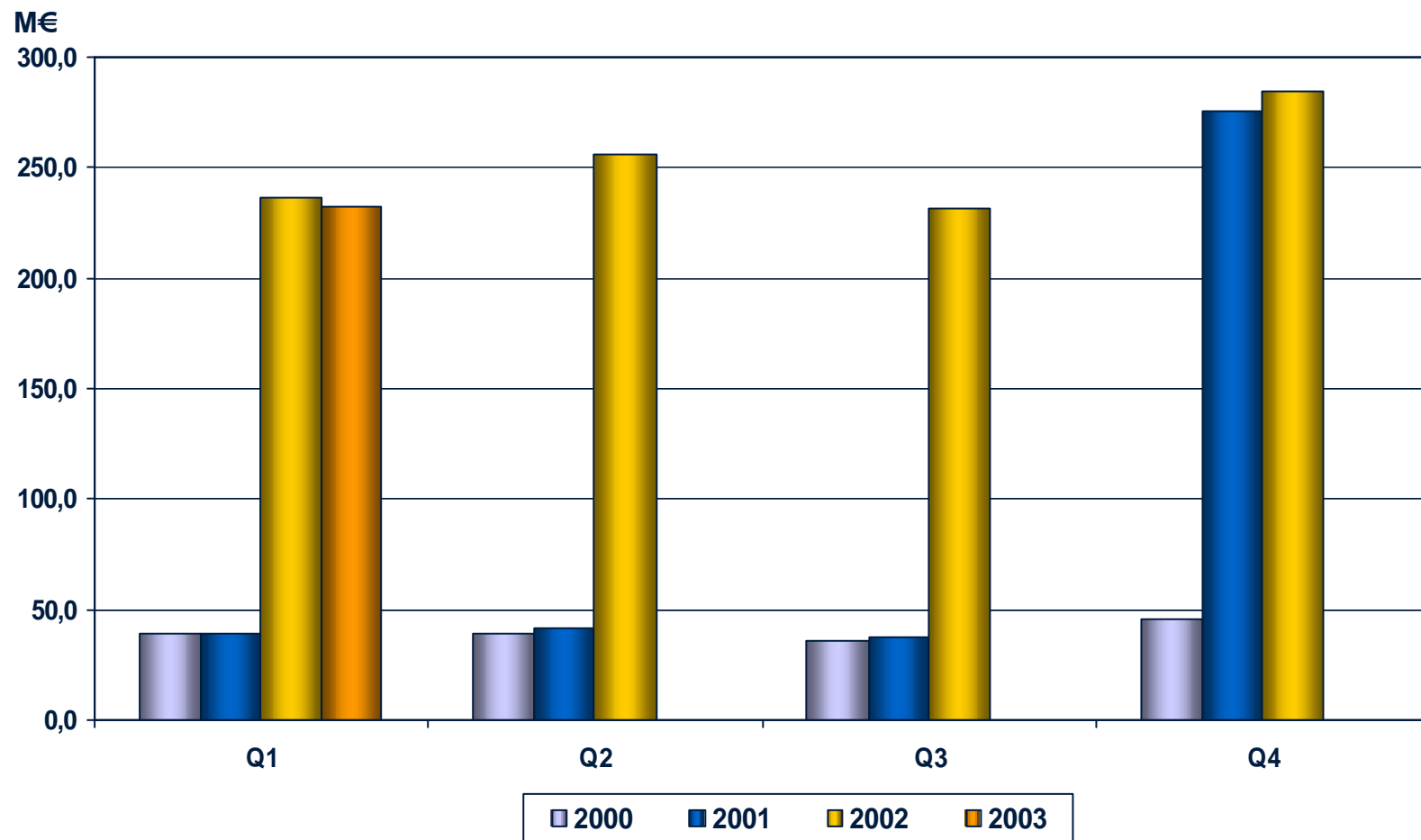
Capital Markets Day

14 May 2003

# Seasonal analysis

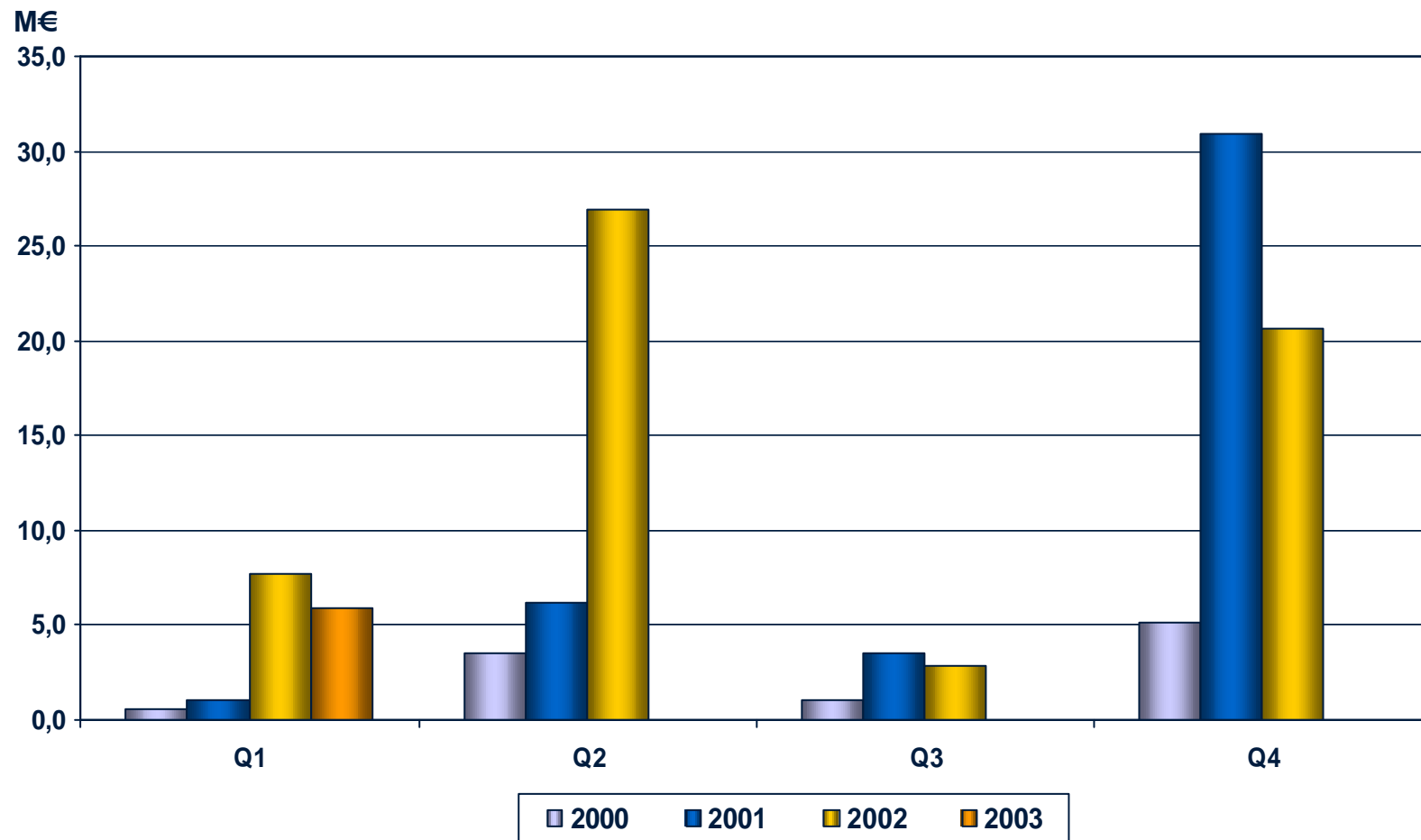
# Sanoma Magazines

## Net Sales



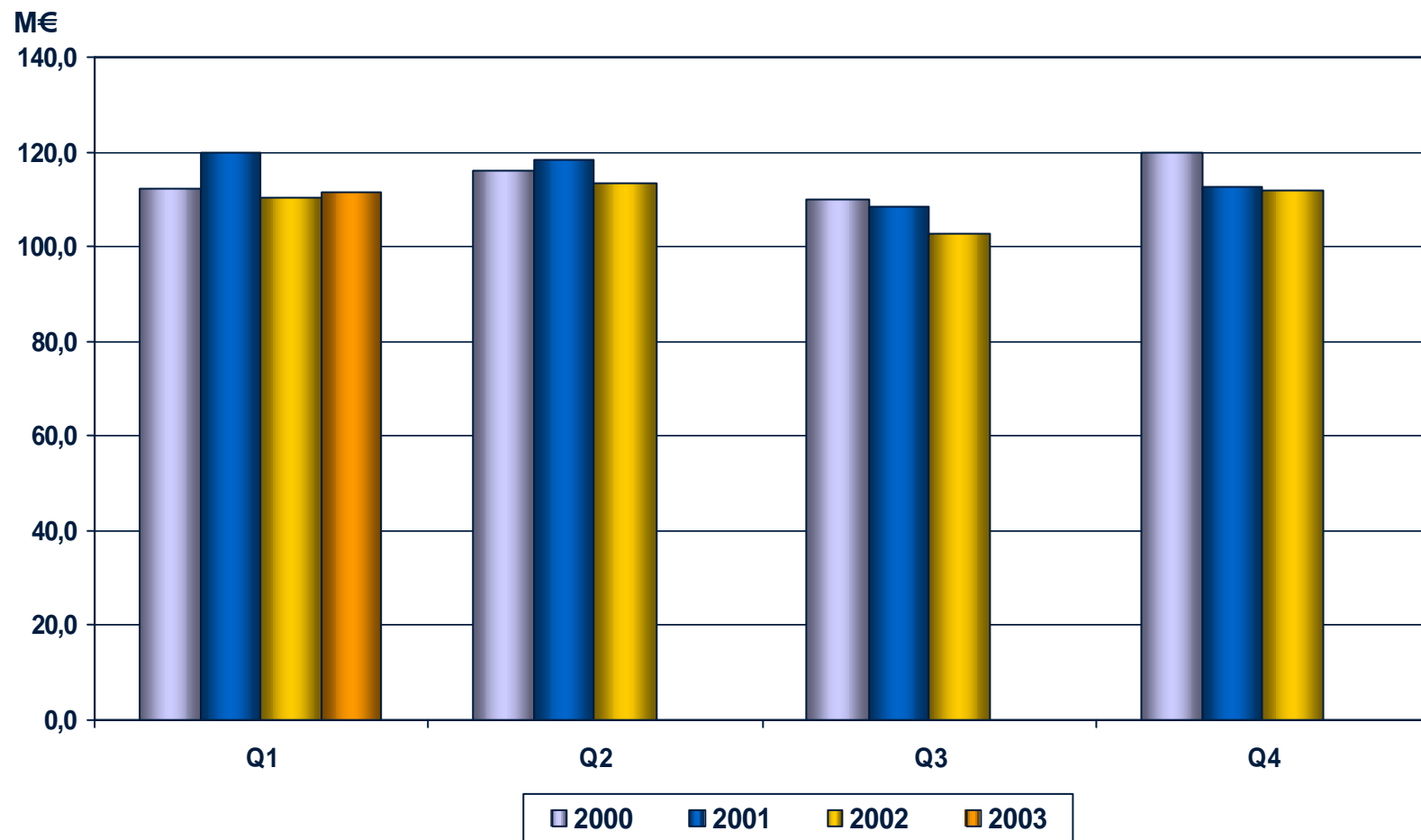
# Sanoma Magazines

## Operating Profit



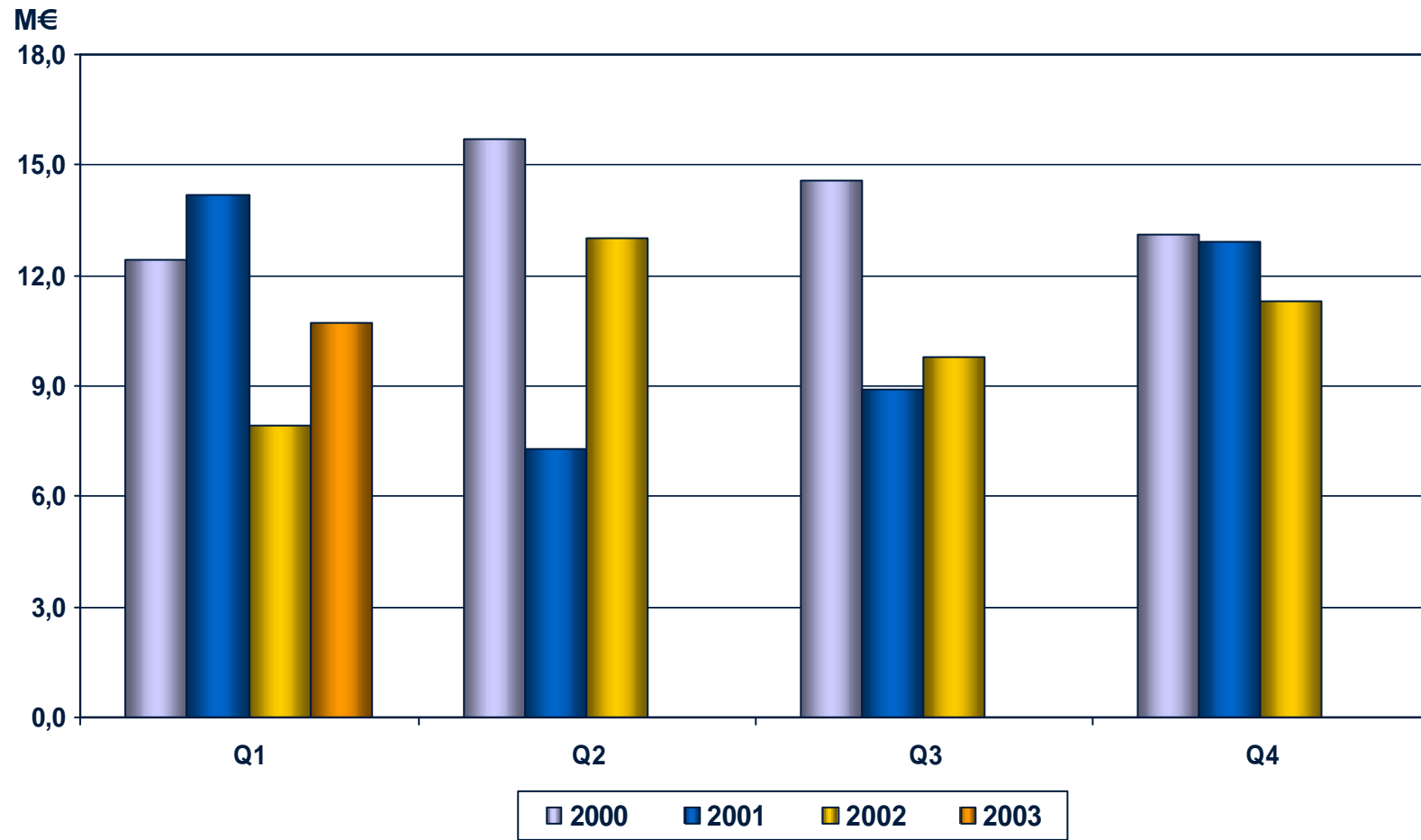
# Sanoma

## Net Sales



# Sanoma

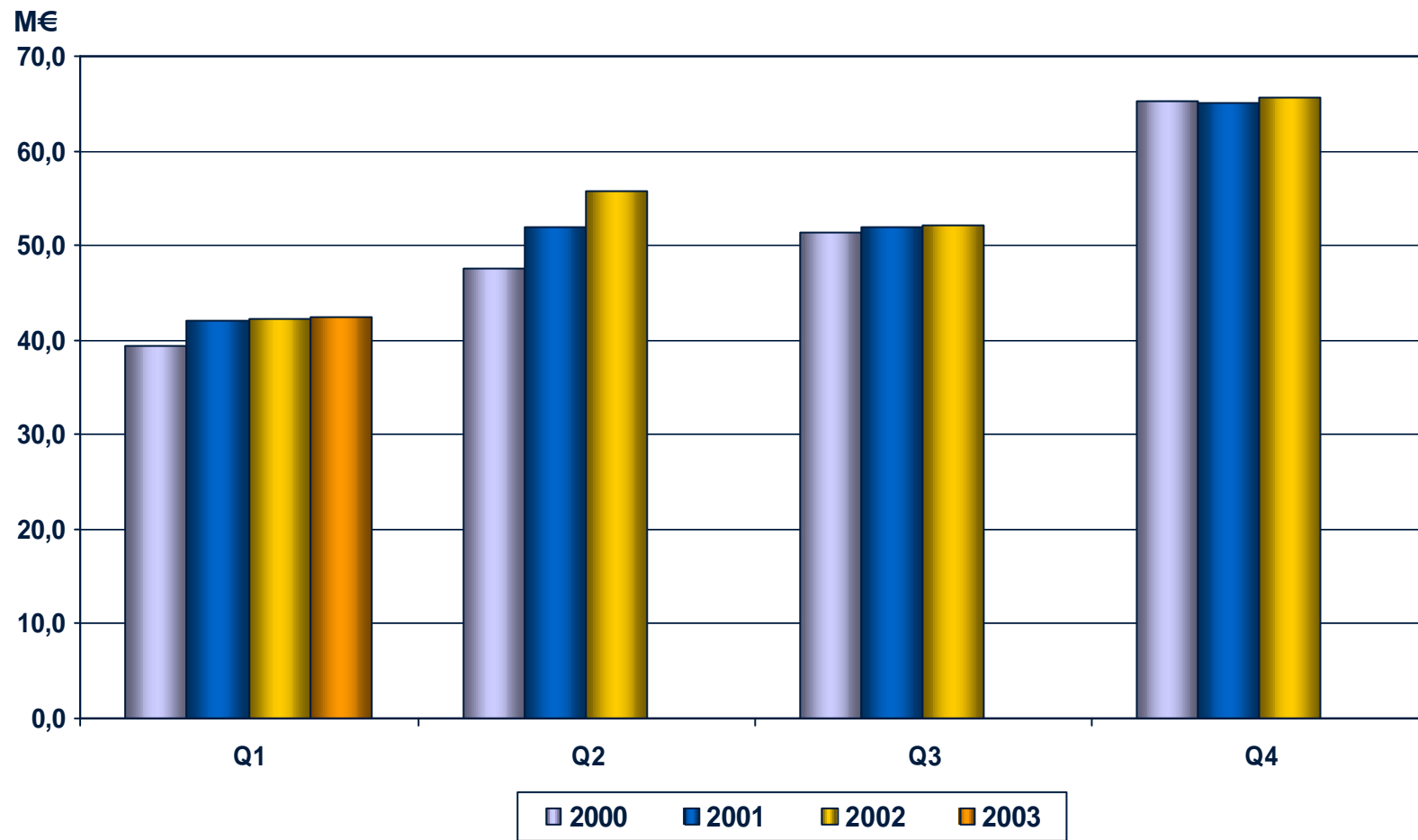
## Operating Profit



Y:Kalvol/kokoukset03/CMD/Heinone

# WSOY

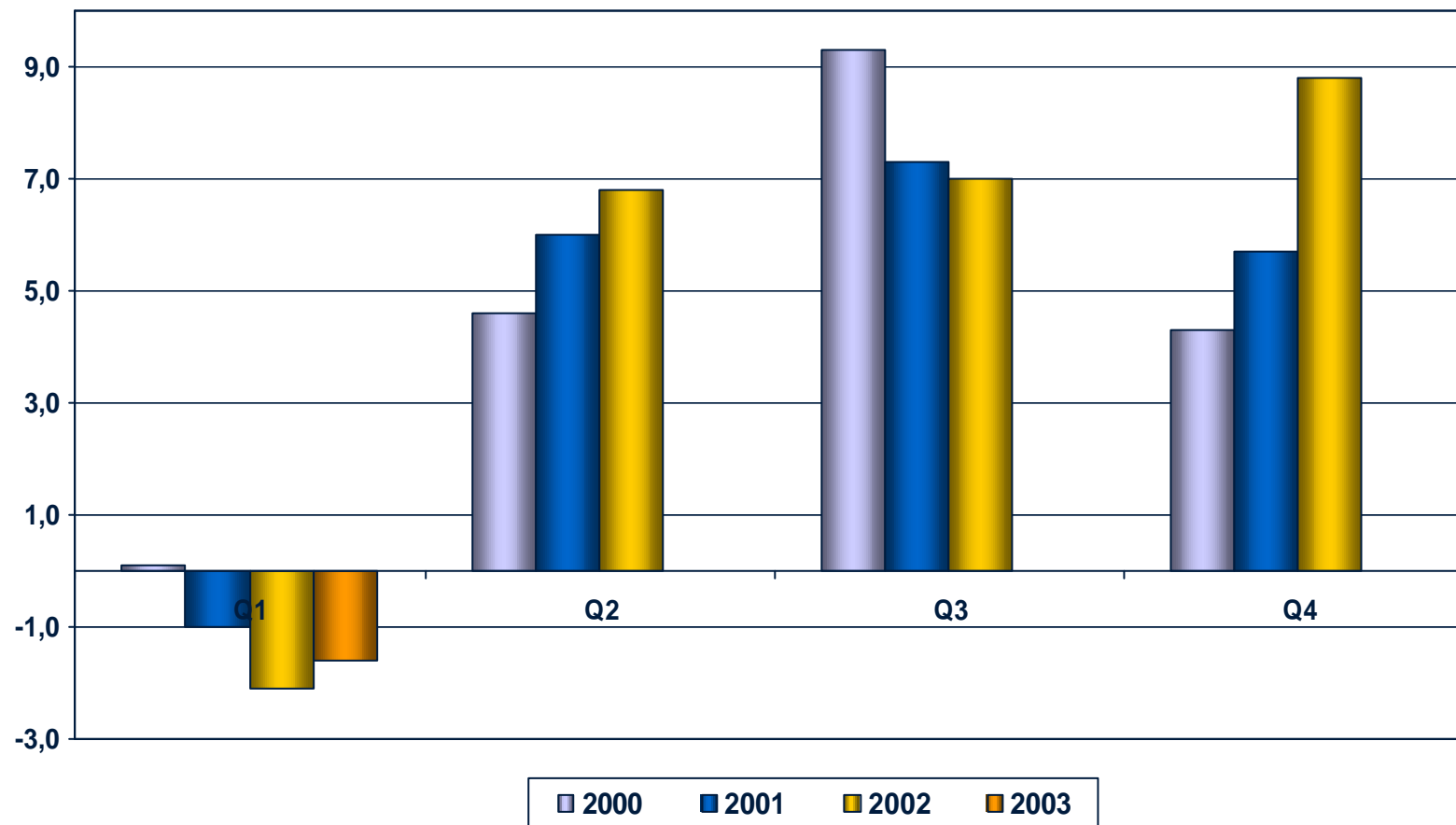
## Net Sales



# WSOY

## Operating profit

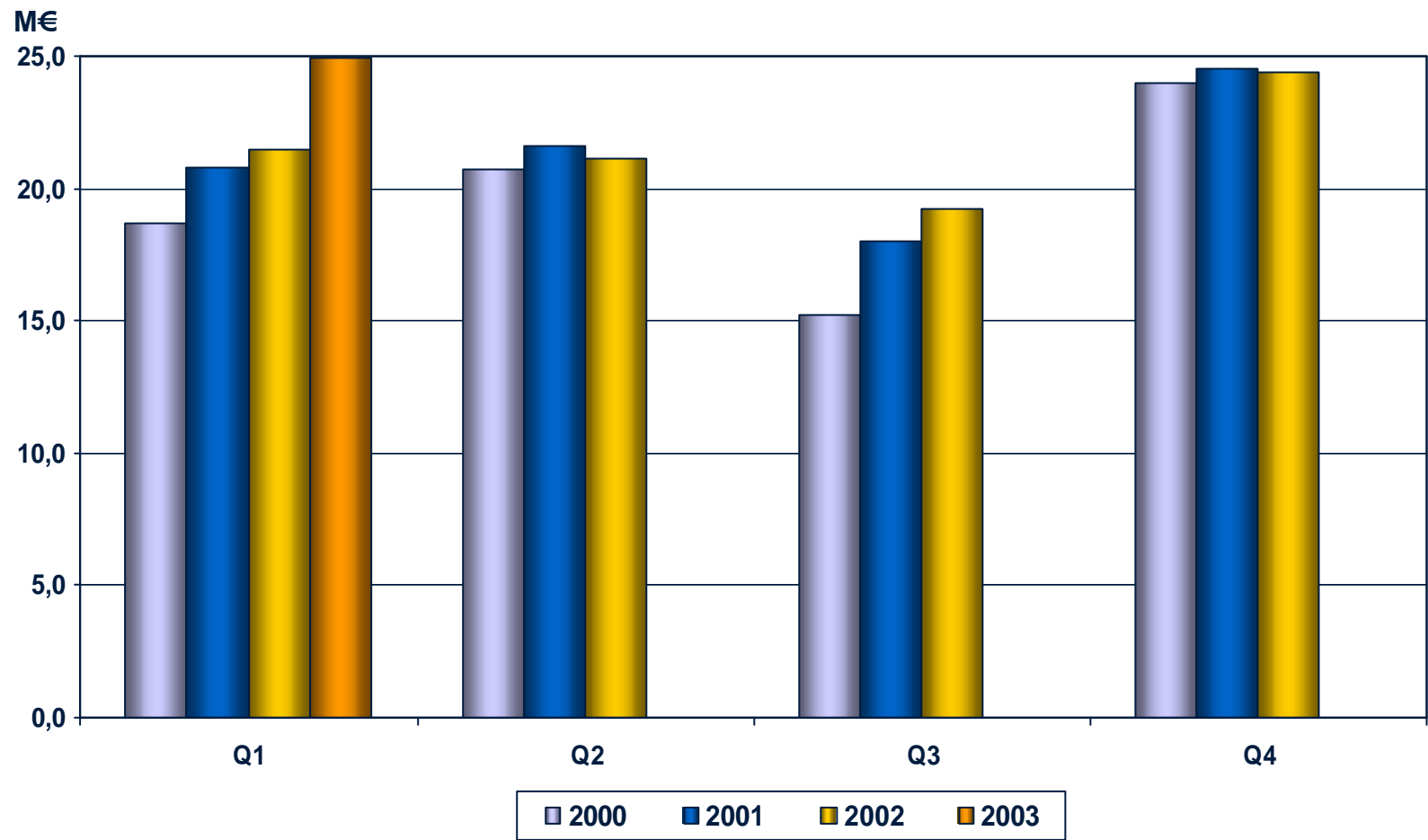
M€





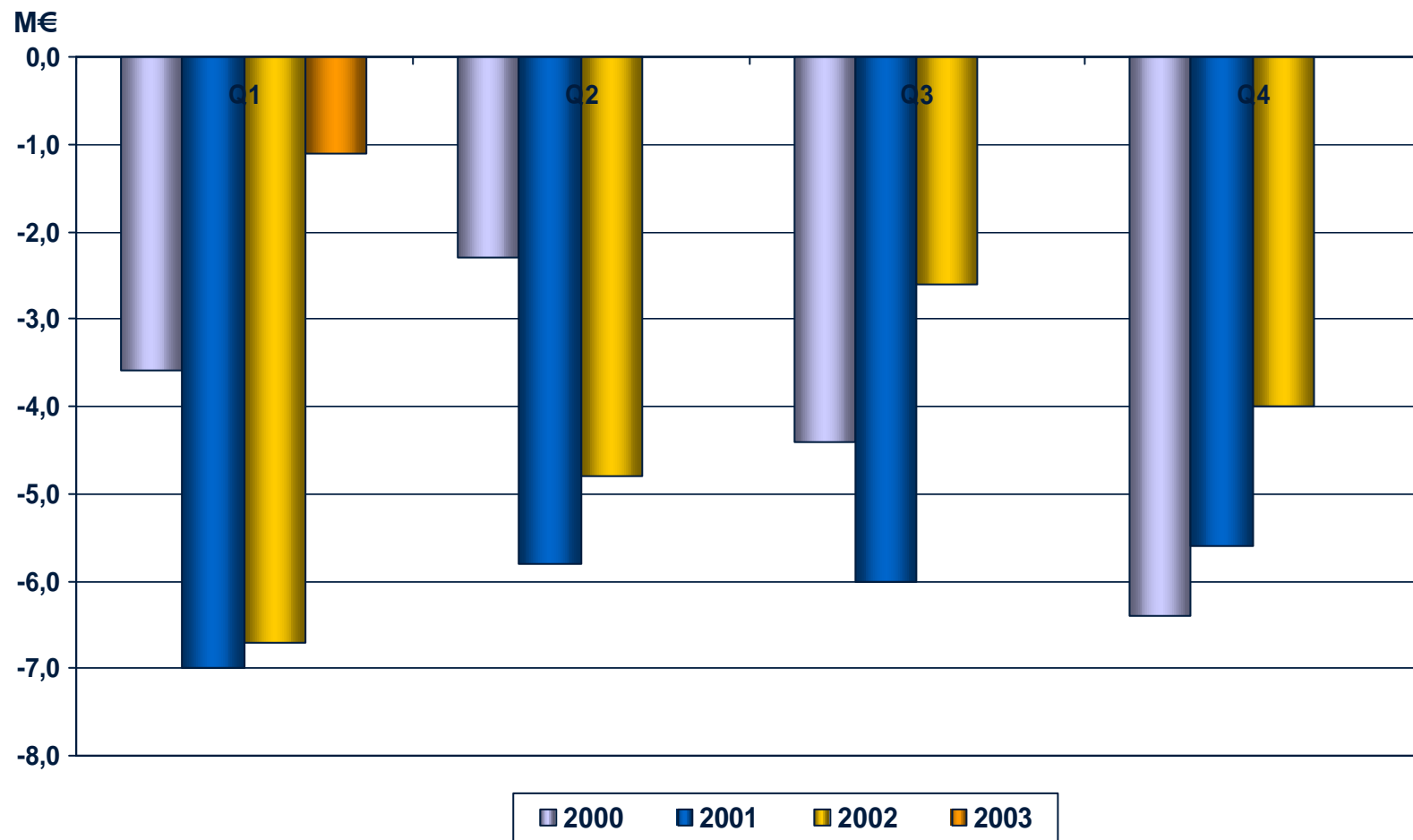
# SWelcom

## Net Sales



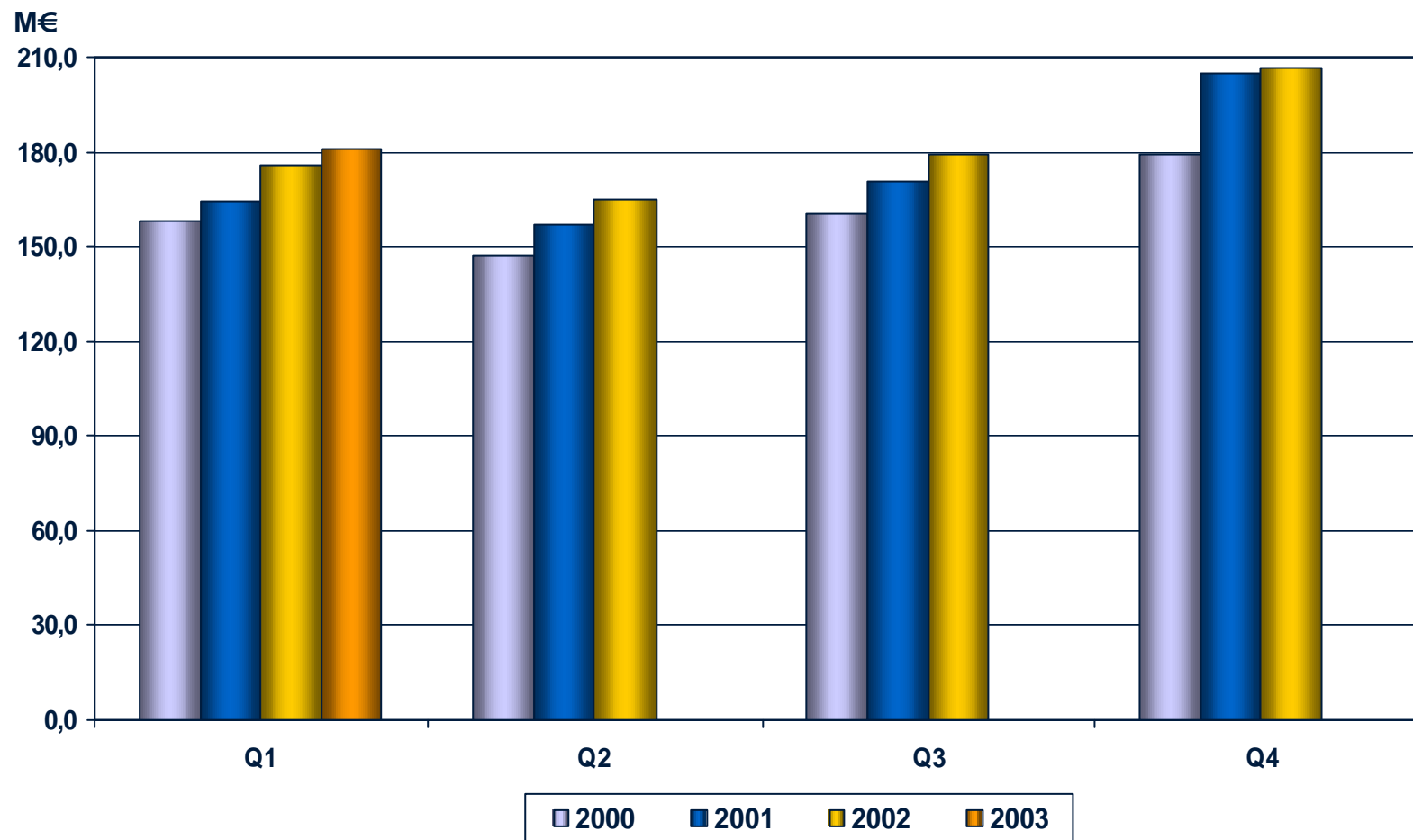
# SWelcom

## Operating Profit



# Rautakirja

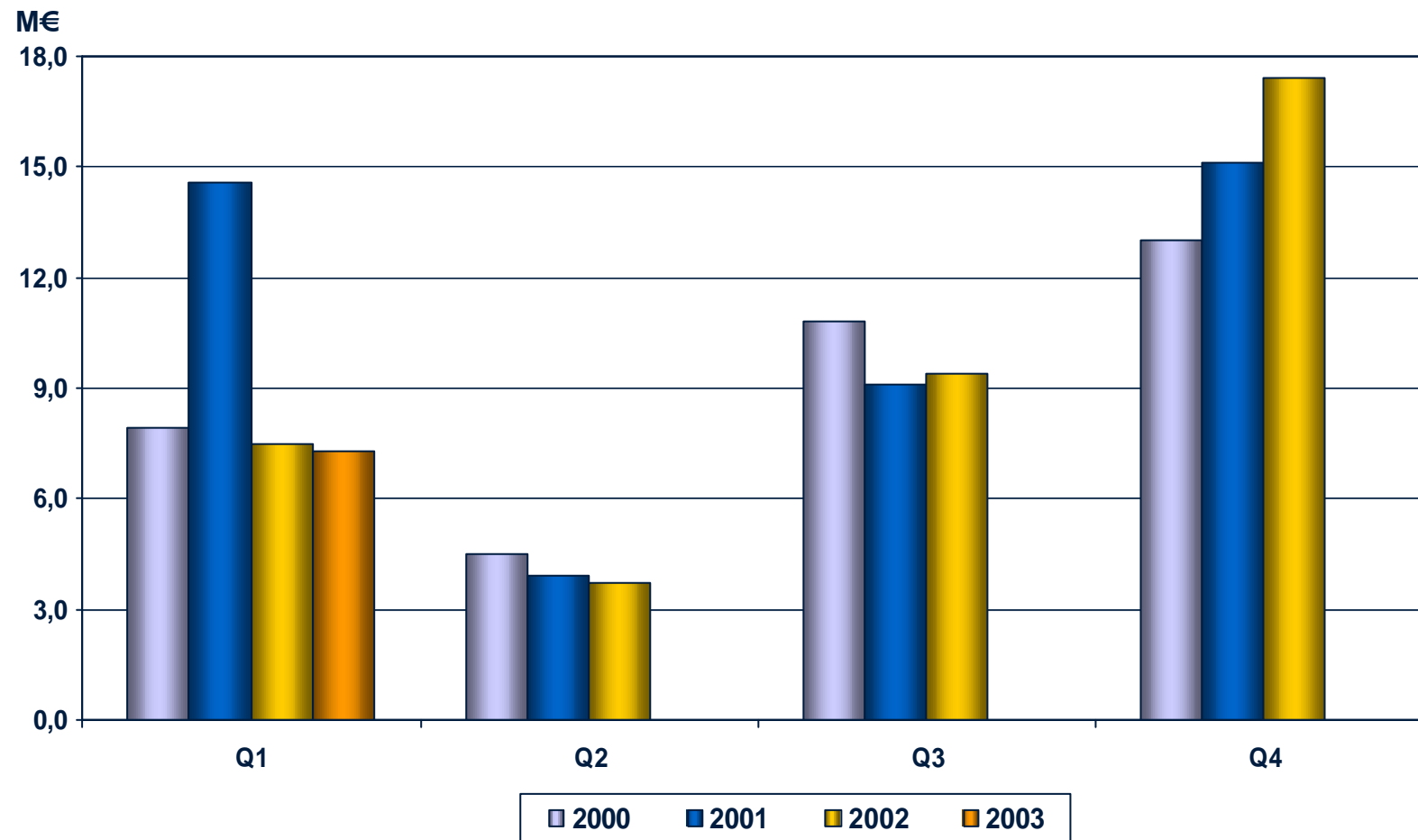
## Net Sales



Y:Kalvol/kokoukset03/CMD/Heinone

# Rautakirja

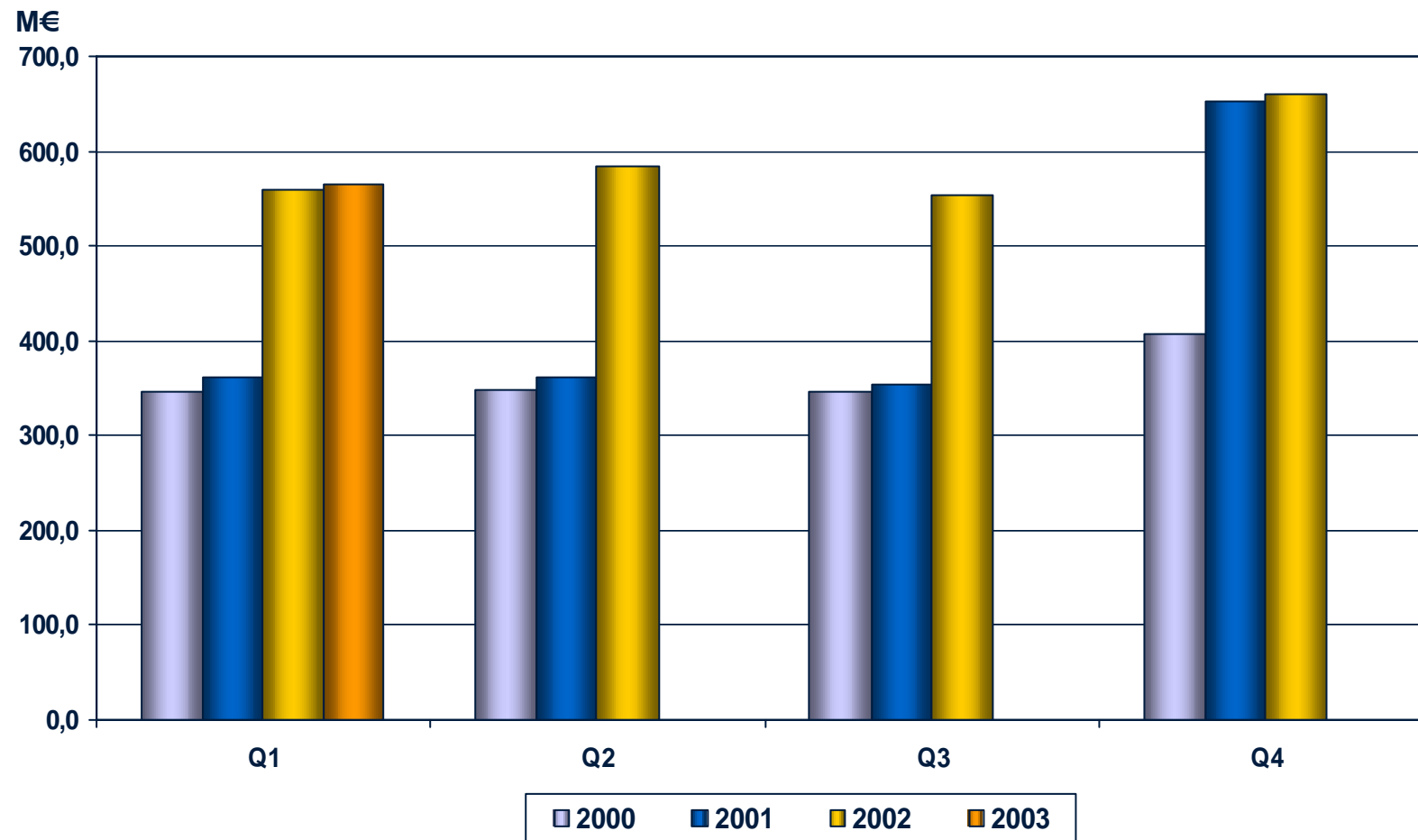
## Operating Profit



Y:Kalvol/kokoukset03/CMD/Heinone

# SanomaWSOY Group

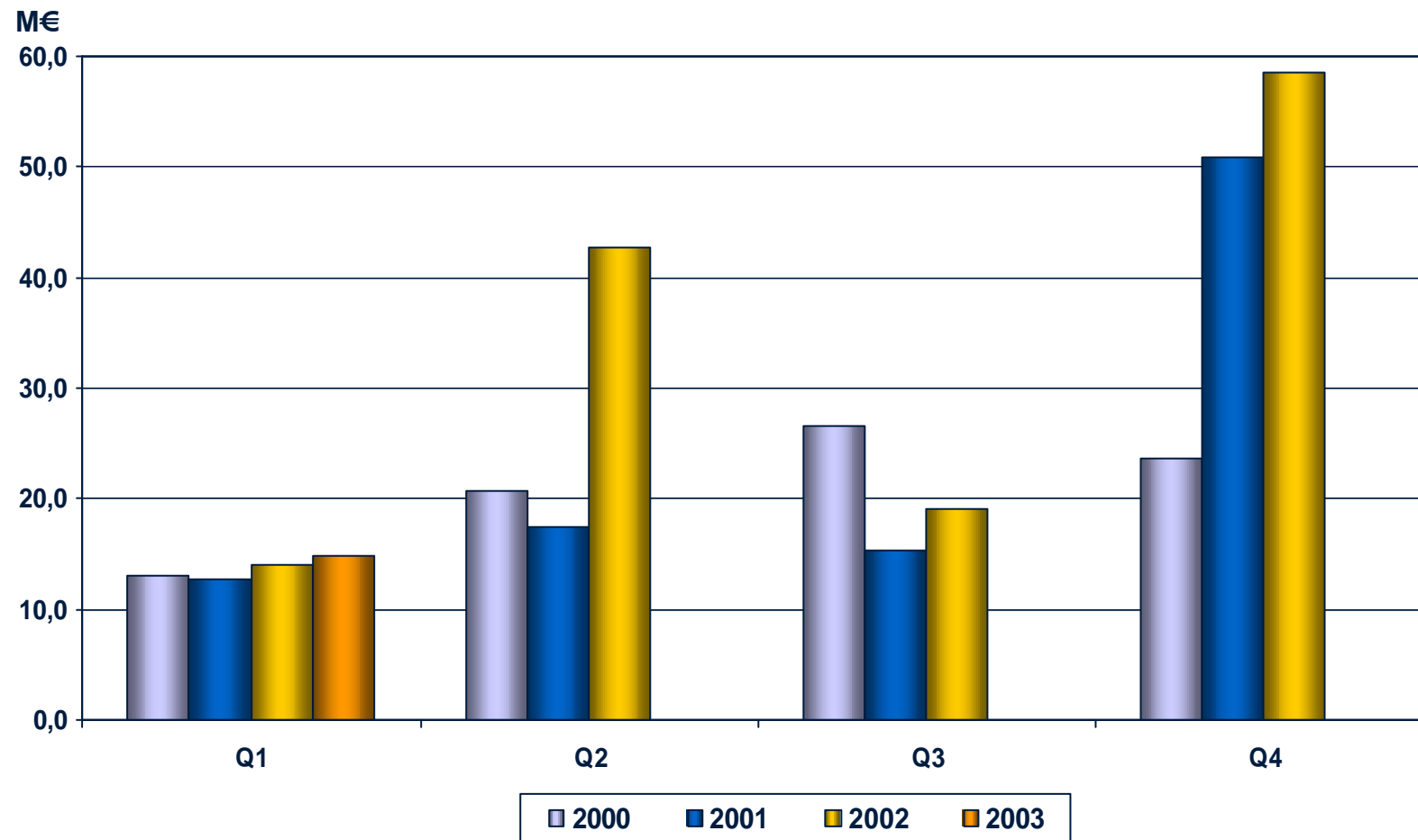
## Net Sales



Y:Kalvol/kokoukset03/CMD/Heinone

# SanomaWSOY Group

## Operating Profit



Y:Kalvol/kokoukset03/CMD/Heinone

# IAS Issues

# IAS issues

## Timetable

- SanomaWSOY will publish IAS-based interim reports and financial statements in 2005
- Some changes in reporting based on IAS already in 2004



# IAS Issues

## Underlying Assumptions

- Accrual basis
  - Transactions and other events are recognised when they occur
- Going Concern
  - Enterprise will continue in operation for the foreseeable future

# IAS issues

## General Qualitative Characteristics

- Understandability (ymmärrettävyys)
- Relevance (merkityksellisyys)
  - Information must be relevant to the decision-making needs and it must be material (olennaista)
- Reliability (luotettavuus)
  - Faithful representation (todenmukainen esittäminen)
  - Substance over form (sisältöpainotteisuus)
  - Neutrality (puolueettomuus)
  - Prudence (varovaisuus)
  - Completeness (täydellisyys)
- Comparability (vertailukelpoisuus)
- Constraints on relevant and reliable information (merkityksellisen ja luotettavan informaation rajoitteet)
  - Timeliness (oikea-aikaisuus)
  - Balance between benefit and cost (hyöty-kustannustasapaino)
  - Balance between qualitative characteristics (laatutasapaino)
- True and fair view / fair representation (oikea kuva/oikea esittäminen)

Y:Kalvol/kokoukset03/CMD/Heinone

# IAS issues

## Presentation of income statement

- either based on the nature of expenses (vertical layout) or their function within the enterprise (horizontal layout)
- SanomaWSOY will follow the present method also in the future -> income statement will base on the nature of expenses (kululajipohjainen)

# IAS issues

## Segment reporting

”Business and geographical segments should be those organisational units for which information is presented to the board of directors and to the CEO”

- Segment reporting in SanomaWSOY’s **published information**
  - primary segment = business segment = division
  - secondary segment = geographical segment: Finland, other EU countries, other countries
- Segment report information includes
  - revenue, result, total amount of assets, liabilities, etc.
- Additional information can be given of business areas, but not as detailed as segment information

# IAS issues

## Commission sales

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- Press distribution (Rautakirja, Aldipress) will be classified under **commission sales** under IAS, only the received commission is recorded as net sales.
- Net sales of Sanoma Magazines (Aldipress) and Rautakirja will decrease. Consolidated SanomaWSOY figures influence is also significant.
- Change applied already in 2004

Y:Kalvol/kokoukset03/CMD/Heinone

# IAS issues

## Commissions to advertising agencies/distributors

- If the commissions are compensation for performed sales work, commissions are booked as ***other operating expenses***. If commissions are granted merely like ***discounts***, they are booked as ***net sales adjustments***.
- The nature of commissions should be defined case by case (agreement by agreement).
- Sanoma Magazines' net sales may increase and Sanoma's decrease.
- New principle applied in 2004

# IAS issues

## Tangible and intangible assets (IAS 16 and 38)

- two alternative treatments
  - benchmark treatment (historical): assets carried at cost less any accumulated depreciation and any accumulated impairment losses
  - allowed alternative treatment (market value): asset carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses
- SanomaWSOY will use benchmark treatment (historical cost) in published information. We will use historical cost method also in investment properties. Additional information will be given in notes.

# IAS issues

## Film rights and TV broadcasting rights

- earlier SWelcom recorded as inventories/ purchases and RCV as tangible assets/ depreciation
- should be recorded under IAS as intangible assets (immaterial rights)
- P/L expenditure to amortisation
- change in accounting principle already at year-end closing 2002
- improved EBITA by EUR 38.1 million (2002), EBIT unchanged



# IAS issues

## Inventories

- **Cost of inventories (especially magazines and books)**
  - Overheads (except administration and marketing) should be included in capitalized costs.
  - One time impact on balance sheet
  - **SanomaWSOY will capitalize only statutory costs**

# IAS issues

## Pensions

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- **Employee benefits (pensions)**
  - pension and other retirement benefits will be classified either as contribution plans or defined benefit plans
  - still open how eg. TEL costs (pension costs stipulated by the law in Finland) should be calculated

Y:Kalvol/kokoukset03/CMD/Heinone