



Acquisition of Independent Media Russia & Ukraine

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Eija Ailasmaa

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Transaction

Acquisition: Independent Media

Transaction overview

- Glossy magazines with a focus on women, men and youth publishing
- Business newspapers
- Operates in Russia and Ukraine
- 31 magazines, of which 11 are licenses of international renown brands, and 3 newspapers.

- **Clear market leader** in Russian magazine market
 - dynamic market player
 - # 1 in glossy magazine readership with a share of approx. 48% *
 - # 1 in Moscow business newspaper market

- **Huge market:** 145 million inhabitants, 52 million households
- Growing economy: expected real GDP growth 5–7%
- Fast growing media market: expected growth of 10–15%

Source: TNS
Gallup ADFact,
EIU, Goldman
Sachs, PWC,
Zenith

* May–Oct. 2003

y/kalvot_hs/HS05/independent media19

Acquisition: Independent Media

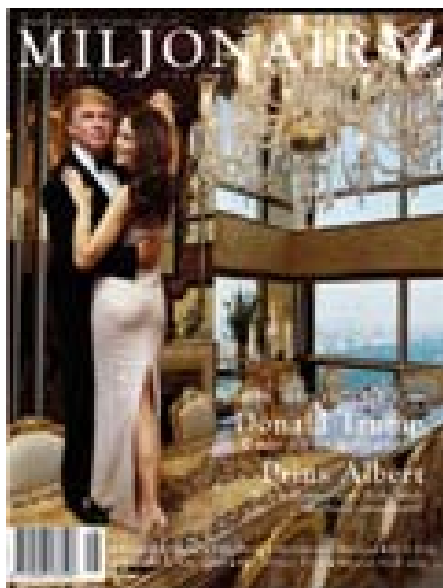
Transaction overview

- Net sales 2004 estimated to amount to EUR 70 million (incl. sales of 50/50 joint ventures)
- Pro forma consolidated share amounts to EUR 47 million
- Compounded average growth net sales in the period 2001–2004 around 25%
- Pro forma consolidated share in the estimated EBITA in 2004 amounts to EUR 10 million (incl. share of associated companies)
- Compounded average growth EBITA in the period 2001–2004 around 50%

- Enterprise value some EUR 142 million

- In 2003 on average 990 employees

- The acquisition is subject to approval of competition authorities as well as satisfactory agreements with certain licensors regarding the continuation of the respective license agreements



Rationale

Transaction Rationale

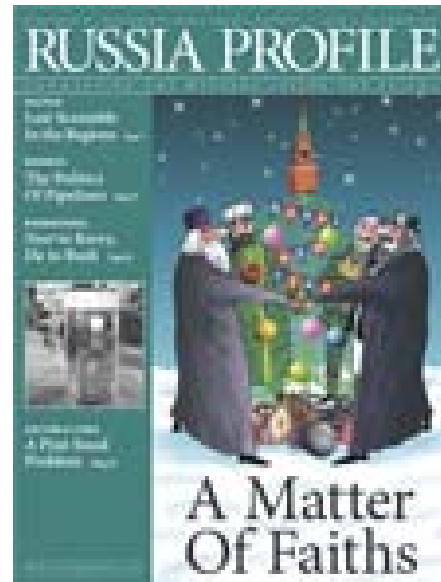
- Fits into SanomaWSOY's and Sanoma Magazines' strategy
- A strong interest in entering the Russian, Ukrainian and potentially other markets in Commonwealth of Independent States
 - the biggest market in Europe with a substantial growth potential in media
- Shared values with regard to publishing, employees and customers
 - a perfect combination

Same Strategic Approach

- Market leading positions
- Diversified title portfolio
- Leading, well-known brand names
- Track record of successful magazine launches
- Robust financial performance
- Preferred license partner of international brands
- Platform for geographical expansion

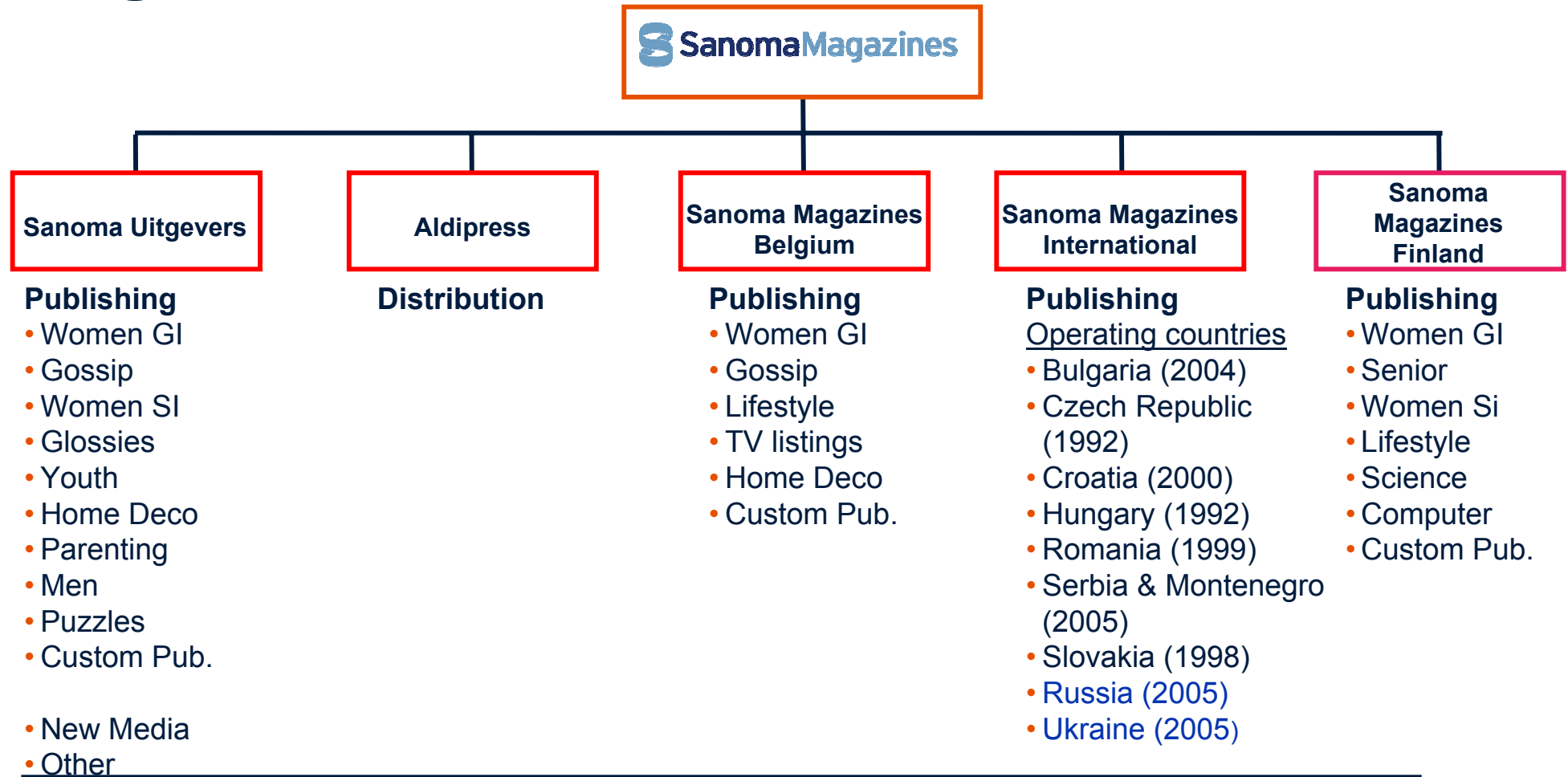
Valuation and Financing

- Valuation
 - EV/EBITA 14.2x
 - Positive EPS effect expected for SanomaWSOY from 2005 onwards depending on purchase price allocation
- Financing
 - The acquisition will be financed by using existing credit facilities



Structure

Operating Structure of Sanoma Magazines



SanomaWSOY

SanomaWSOY in Europe



Delivering Growth Promises

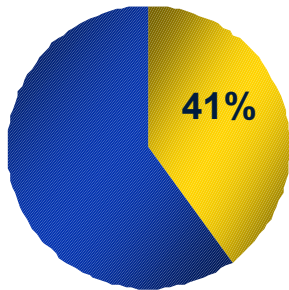
- 1999: Sanoma and WSOY merged and SanomaWSOY listed in Helsinki Exchanges
- 2001: CIG Acquisition
 - Sanoma Magazines' operations in 9 countries
- 2003: Rautakirja merged into SanomaWSOY
- 2004: Malmberg Acquisition
 - Educational publisher, leading in the Netherlands and Belgium
- 2005: Independent Media Acquisition
 - Magazine and newspaper publisher in Russia and Ukraine

Focus on Opportunities and Operational Excellence

- Growth
- Market leadership
- Cash flow
- Business practises

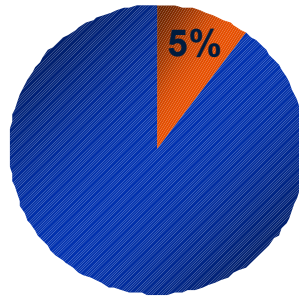
SanomaWSOY's International Businesses

Share of net sales*



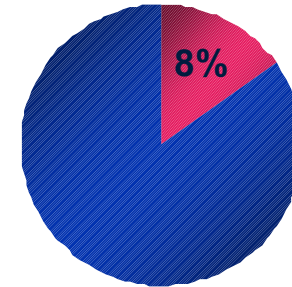
Magazines

Operations in: the Netherlands, Belgium, Finland, the Czech Republic, Slovakia, Hungary, Romania, Croatia, Bulgaria, Serbia & Montenegro, Russia, Ukraine



Educational Publishing

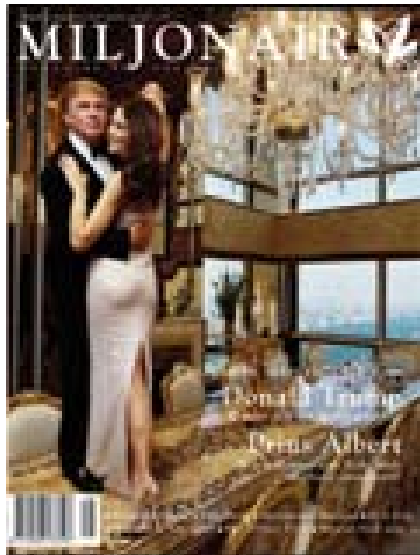
Operations in: the Netherlands, Belgium, Finland, Poland



Press Distribution

Operations in: the Netherlands, Finland, Estonia, Latvia, Lithuania, Romania

* Pro forma 2003, intra group eliminations excluded



The  Moscow Times

The  St. Petersburg Times

ВЕДОМОСТИ



Independent Media Businesses

Fashion Press

- Joint venture with Hearst (50%)
- Publishes licensed magazine titles
- The first glossy magazine in Russian market: Cosmopolitan
- Titles
 - Cosmopolitan (2,629k)* and several spin-offs and regional issues, Good Housekeeping (910k)*, Harper's Bazaar (na), Robb Report (just launched), Popular Mechanics (243k)*
- The business has shown strong growth over the last 4 years



*Source: average issue readership for whole of Russia TNS Gallup Dec 2003–Apr 2004

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United Press

- Magazines:
 - Formula Zdorovya/Top Santé, Seasons, Men's Health (689k), FHM (132k)*, Yes! (510k)*, Na Rublevke, Harvard Business Review
- Daily newspaper:
 - Moscow Times (37,6k)* in English
- In addition: 2 custom publishing titles



*Source: average issue readership for whole of Russia TNS Gallup Dec 2003–Apr 2004

Business News Media

- Joint venture with Pearson and Dow Jones (33.3%)
 - Publishes the national business newspaper Vedomosti
- ВЕДОМОСТИ**
- Respectable partners (Wall Street Journal and Financial Times)
 - access to world class business newspaper knowledge and resources through its partners
 - Vedomosti is expanding in two ways
 - Geographically by publishing separate editions in the 1 million+ cities (now in 4) with an extra regional page and regional advertisers
 - Line and brand extensions like a career guide, an investor guide, advertising driven supplements, seminars and conferences, paid website etc.

Other Businesses

- Neva Media
 - St Petersburg Times, newspaper published twice a week in English
- Online - SMS
 - SMS call and win, and SMS quizzes
 - Targeted at Cosmo and Yes! readers
 - their female readers are receptive to these actions
- B2B Publishing
 - B2B publishing might offer opportunities

The  St. Petersburg Times

Other Businesses

- Alpina Business Books (50%)
 - Joint venture with Alpina Founders
 - A book publisher specialised in management books (mainly US translations in finance, marketing etc.)





Market Potential

Leading Position in Russia and Expanding in Ukraine

- Strong international brands/licenses
- Strong local management with international orientation
- Proven track record in launches, spin-offs, specials etc.
- Good positions and platforms in different parts of the media scene
- Building up a network in the regions

A Lot of Potential

- Rapidly growing economy and media market
- Growing middle class and increasing spending power within this group
- Expanding existing successful business to other CIS countries
- Further professionalisation of the distribution market
- Post acquisition synergies in field of printing, paper buying and transferring concepts, knowledge and business ideas

Russian Economy

- The largest growth market in Europe
- Expected real GDP growth is between 5 and 7% for coming 3 years
- Russia prepares for entry into WTO
- 52 million households

* Source: EIU

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Russian Advertising and Media Market

29

- Total advertising market in 2003 around US\$ 2.6bn*
- Ad spend of US\$ 17.5* per capita (i.e. US\$ 234 per capita in EU)
- The market is expected to grow with 10–15% for the next few years*
- A general growing trend can be seen on readership data

*Source: Goldman Sachs, PWC, Zenith

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Titles



2,629k



126k



243k



910k



689k



132k

Readers: Gallup



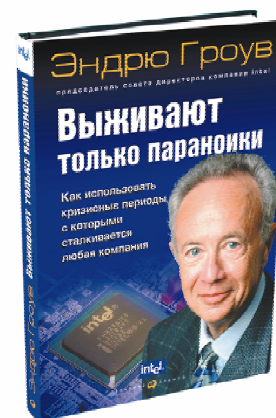
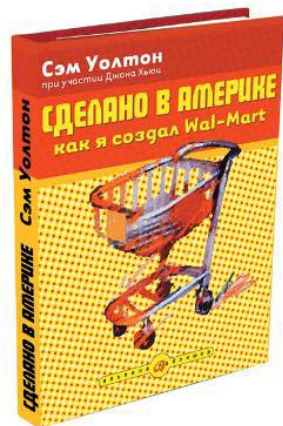
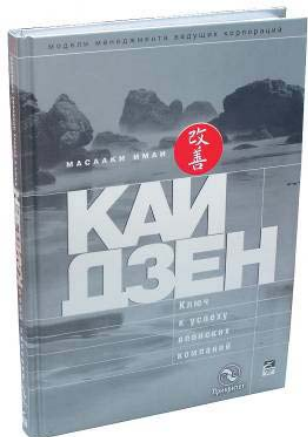
85k

The  St. Petersburg Times

The  Moscow Times

37,6k

Readers:
Gallup



Sanoma Magazines

Sanoma Magazines Financials 2003

- Total net sales € 1,065 million
- Total EBITA € 159 million

 SanomaMagazines



Net sales	€ 537 m	€ 109 m	€ 188 m	€ 127 m	€ 168 m
EBITA	€ 105 m	-€ 1 m	€ 18 m	€ 13 m	€ 25 m

Excluding IM

Markets

Sanoma Magazines

Finland
1 market position
Sanoma Magazines Finland

The Netherlands
1 market position
Sanoma Uitgevers
Sanoma Magazines Int.
Aldipress

Belgium
1 market position
Sanoma Magazines Belgium

Croatia
2 market position
Sanoma Magazines Zagreb

Czech Republic
1 market position
Sanoma Magazines Praha

Slovakia
1 market position *
Sanoma Magazines Slovakia

Russia
1 market position
Independent Media

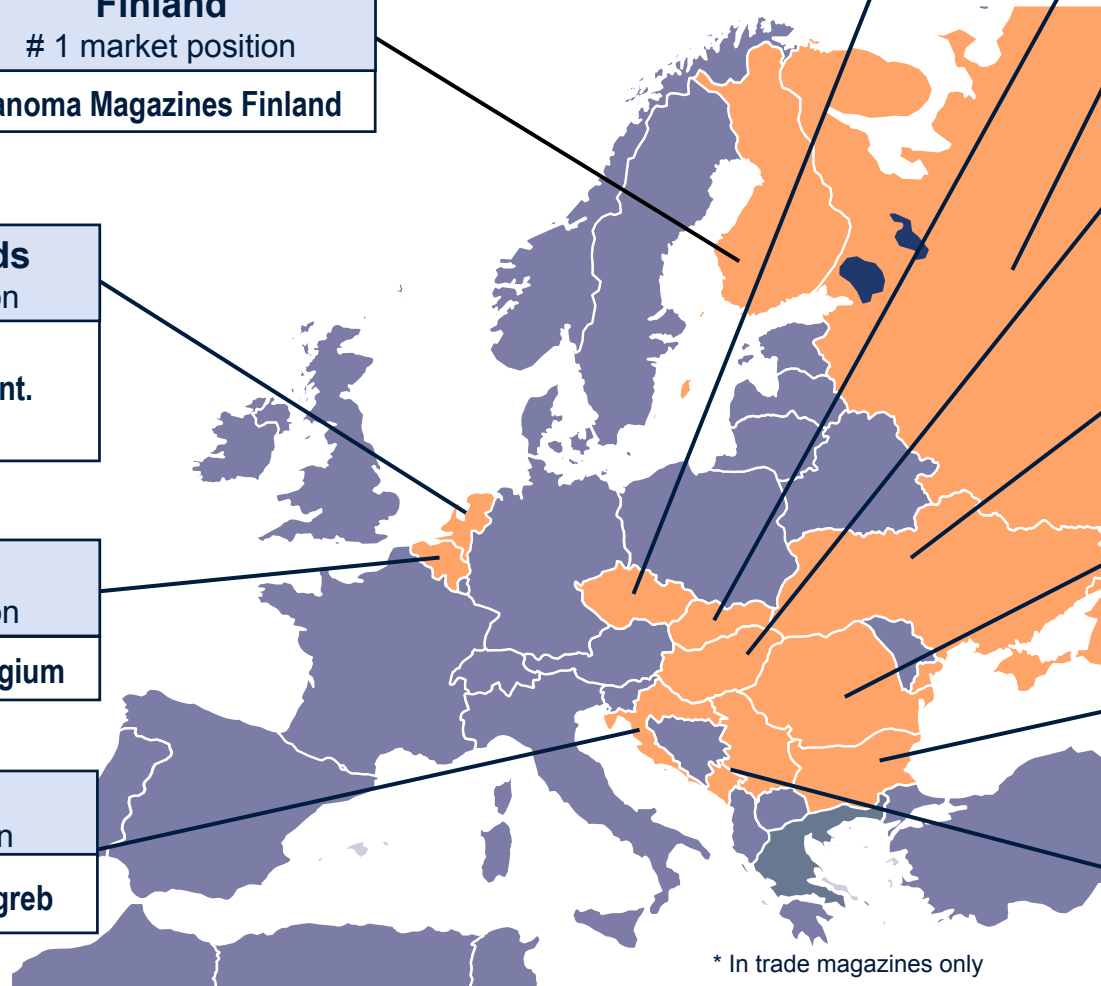
Hungary
1 market position
Sanoma Budapest Kiadó
Hearst Sanoma Press Publishing

Ukraine
Independent Media

Romania
2 market position
Sanoma Hearst Romania

Bulgaria
1 market position
Sanoma Bliask Bulgaria

Serbia & Montenegro
Starts off in Spring 2005
Sanoma Magazines SMG



* In trade magazines only

Touching people!